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ABSTRACT

This hearing focused on education in New York, including recommendations for corrective actions to improve school governance and management in the areas of custodial services and school bus transportation. The report includes testimony from: Andrew J. Stein, President, New York City Council; Kevin Gill, Executive Director, Division of Support Services, New York City Board of Education; Richard Ahola, Executive Liaison for Central Services, New York State Education Department; Bruce Cooper, Professor of Administration and Public Policy, Fordham University; Jean S. Adilifu, Assistant Executive Superintendent, Newark Board of Education; John Fager, Cochair, Parents Coalition; and Michael Strasser, Assistant Commissioner, Division of Surface Transit Operations, Department of Education. (JLB)

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FIELD HEARING ON THE OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

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ED 371 725

HEARING

BEFORE THE

SUBCOMMITTEE ON SELECT EDUCATION
AND CIVIL RIGHTS

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

HEARING HELD IN NEW YORK, NY, JUNE 14, 1993

Serial No. 103–45

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FIELD HEARING ON THE OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

MONDAY, JUNE 14, 1993

House of Representatives,
Subcommittee on Select Education
and Civil Rights,
Committee on Education and Labor,
New York, NY.

The subcommittee met, pursuant to call, at 10 a.m., Room 305–B–C, Federal Building, 26 Federal Plaza, New York, New York, Hon. Major R. Owens, Chairman, presiding.

Members present: Representatives Owens, Payne, and Scott.

Staff present: Scott Henry; Maria Cuprill; and Aaron Martin.

Chairman Owens. The hearing of the Subcommittee on Select Education and Civil Rights is now in session.

I will not read all of my opening statement, but will enter it, in its entirety, into the record.

In proposing the establishment of a Federal institute for the study of school governance and management, we have acted in the Congress on the assumption that the multitude of ordinary citizens who serve on the 17,000 local school policymaking bodies in this Nation would welcome systematic, practical assistance.

As they struggle to make a shrinking base of dollars cover expanding obligations, we assumed that school board members would eagerly embrace knowledge of new cost-cutting procedures, practices, devices, et cetera.

We have also assumed that all State- and local-elected officials would applaud the development of systems that would facilitate the purchase of more instruction-related services for each dollar spent, while lessening the amount of funds consumed by noninstructional activities.

In New York City and New York State, we regretfully must report that both school officials and elected officials exhibit only lukewarm interest in proposals that could reclaim millions of dollars for instruction by ending wasteful and possibly corrupt practices related to the purchase of supplies and equipment, the purchase of custodial services, and the purchase of transportation services.

While investigation, conviction, and punishment are not our present concerns, it appears that there is a great deal that needs investigation with respect to the past and current utilization of funds for custodial service and school buses.

Our routine investigation has uncovered a pattern of complicity, sometimes benign and sometime malignant, on the part of school board officials and elected officials.

Complicity in waste and corruption is institutionalized at the State legislative level. Acts of the State legislature are involved in the sealing of contracts with both the custodians and the school bus companies. The signature of the governor is also required.

We are pleased to note that the governor has appointed a panel to examine educational expenditures. We regret the fact that his office hasn't utilized the abundant amount of evidence already available to facilitate action to lessen wasteful practices in the New York City school system beyond the exposure and eradication of government complicity in waste and construction.

This hearing will entertain recommendations for immediate corrective actions in New York City and systems to improve school governance and management throughout the Nation.

For New York City, we have received recommendations that include following:

Recommendation One: the complete revamping of the system for the provision of custodial services as proposed by the original legislation offered by Assemblyman Del Toro, chairman of the New York State Education Committee in the assembly. I understand he has recently changed his legislation drastically, but originally he offered legislation that would have revamped the system. A system which requires that all schools be serviced by independent contractors employing unionized staff and under the supervision of a school principal would offer a major step forward.

In our last hearing, it was reported by Mr. Litow, the Deputy Chancellor, that on 30 contracts that have been awarded, substantial savings have already been realized.

Recommendation Two: the issuance of a new request for proposals for the New York City school transportation services. This would allow examination of all facets of the service, including the length of the routes, parent satisfaction with services, methods of calculating costs, costs for similar services in the open marketplace, and the possibilities for shorter routes utilizing smaller vehicles and any other considerations.

And Recommendation Three: that there needs to be a new examination and investigation of the role of organized crime and intimidation in the pricing and contracting of custodial and transportation services.

In closing, it must be noted that the savings which would be realized through the elimination of the most obvious wasteful practices would be far greater than the amount of vitally needed dollars which the New York City congressional delegation is presently fighting to recoup for the Chapter 1 program.

[The prepared statement of Hon. Major R. Owens follows:]

STATEMENT OF HON. MAJOR R. OWENS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

In proposing the establishment of a Federal institute for the study of school governance and management, we have acted on the assumption that the multitude of ordinary citizens who serve on the 15,000 local school policymaking bodies in this Nation would welcome systematic, practical assistance. As they struggle to make a shrinking base of dollars cover expanding obligations, we assumed that school board members would eagerly embrace knowledge of new cost-cutting procedures, practices, devices, et cetera. We have also assumed that all State- and local-elected officials would applaud the development of systems that would facilitate the purchase of more instruction-related services for each dollar spent, while lessening the amount of funds consumed by noninstructional activities.

In New York City and New York State, we regretfully must report that both school officials and elected officials exhibit only lukewarm interest in proposals that could reclaim millions of dollars for instruction by ending wasteful and possibly corrupt practices related to the purchase of supplies and equipment, the purchase of custodial services, and the purchase of transportation services.

An institute focused on problems related to school governance and management would prevent waste resulting from either incompetence or corruption. The long-term objective of the Subcommittee on Select Education and Civil Rights is the promotion of the most effective and efficient utilization of the taxpayers' dollars allocated for education. While investigation, conviction, and punishment are not our present concerns, it appears that there is a great deal that needs investigation with respect to the past and current utilization of funds for custodial services and school buses. Our routine review of both of these in New York City has uncovered a pattern of complicity—sometimes benign and sometimes malignant—on the part of school board officials and elected officials.

The complicity which fosters the maintenance of a sieve through which millions of education dollars flow begins at the New York City Board of Education. Not only has the subcommittee encountered benign neglect of wasteful practices at the Nation's largest local education agency, it has also experienced hostility from both staff and policymakers. Our concern with wasted millions of dollars has been treated as a nuisance expedition.

At the office of the New York State Commissioner of Education, we have experienced a more polite reception; however, there is only lukewarm concern about the flushing away of millions of dollars through custodial collective bargaining contracts that are made with bosses, not workers; and through the repeated and routine waiver of the required bidding process in the purchase of New York City school bus services. As a result of this cavalier attitude, New York City has the highest school transportation costs in the Nation. Parents indicate that the service is also atrocious with unnecessarily long bus routes and arrogant, dictatorial bus drivers.

Complicity in waste and corruption is also institutionalized at the State legislative level. Acts of the State legislature are involved in the sealing of the contracts with both the custodians and the school bus companies. The signature of the governor of the State is also required. We are pleased to note that recently, the governor has appointed a committee to examine educational expenditures. We regret the fact that his office has not utilized the abundant amount of evidence already available to facilitate action to lessen wasteful practices in the New York City school system.

The subcommittee is pleased to note that there has been extensive cooperation from the office of the Special Inspector General for New York City schools, from the office of the Comptroller, and from the office of the President of the City Council. Indeed, the records of the council president, Andrew Stein, were utilized extensively to buttress the first hearing on the school custodian contracts. We are inviting the council president to appear at this second hearing in order to further explain the findings resulting from his study and to make recommendations. The subcommittee is also looking forward to the testimony from the following witnesses:

This hearing will entertain recommendations for immediate corrective actions in New York City and systems to improve school governance and management throughout the Nation.

For New York City, we have received recommendations that include the following:

The Honorable Andy Stein
President of the City Council
The Honorable Angelo Del Toro
Chairman, Committee on Education
New York State Assembly
Mr. Kevin Gill, Executive Director
Division of Support Services
New York City Board of Education
Dr. Richard Ahola
Executive Liaison for Central Services
New York State Education Department
Mr. Steve Hoffman, Deputy Director
New York State Office of Federal Affairs
Dr. Bruce Cooper
Professor of Administration and Public Policy
Fordham University
Mr. John Fager, Co-chair
Parents Coalition

Mr. Robert Hughes, Deputy Director
Advocates for Children

Beyond the exposure and eradication of government complicity in waste and construction, this hearing will entertain recommendations for immediate corrective actions in New York City, as well as recommendations for the development of systems to improve school governance and management throughout the Nation. For New York City, we have already received recommendations with far-reaching implications, including:

1. The complete revamping of the system for the provision of custodial services as proposed by the original legislation offered by Assemblyman Angelo Del Toro, the Assembly chairman of the New York State Education Committee. A system which requires that all schools be serviced by independent contractors employing unionized staff and under the supervision of the school principal would offer a major step forward. At our last hearing, it was reported that on 30 contracts that have been in existence for a year, substantial savings have already been realized.
2. The issuance of a completely new request for proposals for the New York City school transportation services; examination of all facets of the service, including the length of the routes, parent satisfaction with services, methods of calculating costs, the relationship between current costs and costs for similar services in the open marketplace, the possibilities for shorter routes utilizing smaller vehicles, et cetera.
3. A new examination and investigation of the role of organized crime in the pricing and contracting of custodial and transportation services.

It must be noted that the savings which would be realized through the elimination of the most obvious wasteful practices would be far greater than the amount of vitally needed dollars which the New York City congressional delegation is presently fighting to recoup for the Chapter 1 program.

I yield to Mr. Scott for an opening statement.

Mr. SCOTT. Thank you, Mr. Chairman. I appreciate the opportunity to be here in New York in our district to discuss the Office of Educational Research and Improvement.

As you have indicated, we have a very tight budget. We are cutting back a number of expenditures; and, therefore, it is incumbent upon us that as much of the taxpayer's dollar goes directly for instruction as possible. Education is an important area and quality education in particular.

As we look to the future, in a new technological age, 75 percent of the young people who get decent jobs are going to have to get education past the high school level. So we can't afford to have young people missing educational opportunities because money was wasted.

It is a pleasure to be here in New York, Mr. Chairman. We respect the work that you have done, even before you got in Congress, expressing concern for young people particularly; and as Chairman of the Select Education and Civil Rights Subcommittee. You have distinguished yourself, and I am pleased to be here in your jurisdiction.

Thank you.

Chairman OWENS. Thank you.

The Chair would like to note that we will be joined later by Congressman Donald Payne of Newark.

We are going to call the distinguished President of the New York City Council, Hon. Andrew Stein. We would like to note that the Office of the Council President is a significant role. In our original research on the matter of custodial contracts, we used a great deal of information from his office, and he has been one of the first to propose the contracting out of custodial contracts.

Mr. President.

STATEMENT OF HON. ANDREW J. STEIN, PRESIDENT, NEW YORK CITY COUNCIL, NEW YORK, NEW YORK

Mr. STEIN. Mr. Chairman, thank you very, very much for inviting me to speak today before your committee. I want to congratulate you on all the work you have done on education and focusing in on this custodial contract recently. Your concern for education has been something that has been very, very important to New York.

As you said, I am Andrew Stein, President of the New York City Council. I congratulate Mr. Owens for convening today's hearings, and I welcome the other two distinguished congressmen.

I believe that waste and mismanagement in public education is one of the most important challenges facing New York City today. It is crucial that we properly educate our children, and it is absolutely crucial that tax dollars are used as efficiently as possible. This hearing has picked just the right target, and I expect that the testimony today should score a direct hit.

As you know, I have long focused my attention on waste in our schools, and I wish to draw on this work as well as some more recent investigations done by others. The basic problem in how we allocate money in our school system is that too much money gets spent before it reaches our kids in the classroom.

I will discuss three areas where money is wasted and children shortchanged: the school bus transportation, custodial services, and mismanagement of community school board budgets.

The Board of Education's Office of Pupil Transportation extends contracts each year to various school bus companies to transport regular and special education students. It has refused to bid out those contracts.

As it happens, the Department of Transportation took over $70 million in bus contracts for preschool and special education students. Where possible, it then started to bid these contracts out. The results have been excellent.

Up to now, DOT has bid out 24 contracts at an average cost of $20 per child per day. This compares with an average of $34 for the 120 contracts let by the Board of Education which ranged from $14 to $40 per child per day. And $14 per day is a big difference especially when we are talking about tens of thousands of students, or as someone once said, when you start adding a million here and a million there, eventually you are talking about real money.

We are talking about millions of dollars that could go into the classroom but are not. That is wrong. Part of the problem with the Board of Education procedures is the way it has written the contracts. According to the Department of Transportation, the current contract is so specific that only those who already provide the service are eligible. This creates a monopoly by arrangement. Needless to say, it encourages higher costs.

This kind of mismanagement is aggravated by the fact that there is no adequate financial review. The Board of Education's Office of Auditor General is 3 years behind in its audit of the bus companies.

Another area in desperate need of reform is the school custodial system. Some of the problems with this system were described at your last hearing by Investigator Stancik. His effort followed on three reports written by my office in 1987, 1988, and 1990. These reports detailed abuses by custodians who run schools as personal fiefdoms, and who are accountable to no one.

The custodians contract signed by the Board of Education requires classrooms and hallways to be swept every day and mopped three times a year. The school lunchroom must be mopped only once a week. The custodians may hire handymen to do minor maintenance. Many have hired their wives to do clerical work while paying them a handyman's rate. The custodian can buy expensive Jeeps and school equipment which, after 5 years, become their personal property.

As a result of our evidence, the Board of Education is making every effort to contract out custodial services in the schools. This is a positive step, but we should move faster. The Board is currently contracting custodial services in 43 schools and will add another 40 schools by next February. It cannot come fast enough.

I recently received complaints from one school where parents say that their custodian is a terrible drunk who is endangering their children. My office is currently in the process of resolving this situation.

On the other hand, when reform is implemented, the results can be dramatic. At I.S. 145 in Queens, which I recently visited, and where the custodial contract was put out for competitive bidding, the principal told me he now controls his workers. For years he suffered under custodians who refused to cooperate with him, the teachers, or the parents.

As a result of my office's investigative reports, the Board of Education, in 1988, took the custodial supervisors out of the union and made them plant managers. Many principals told us that this was one of the first real improvements achieved in the last contract between the custodians' union and the Board of Education.

However, the union fought the change in the courts and was able to prevail. Therefore, in order to effect permanent change, I support the bill in Albany sponsored by Assemblyman Del Toro. This bill would give the chancellor the authority to adopt standards for the evaluation of custodians based on how clean or dirty a building is, not whether it is mopped according to schedule.

The bill calls for designating school plant managers as management and confidential employees in a noncompetitive class. This would reverse what the custodians won in court. The plant managers would remain outside the custodian's union and answer only to the central board management. The bill would also make it affordable for communities to provide afterschool programs for New York City children.

I called for all of these changes in my reports on the custodians several years ago.

The Board of Education should implement an entirely new custodial system which would put the custodian on the school payroll under the authority of the principals.

Frankly, you have to have the power just to say to the custodians, "Look, if you don't keep these schools clean, we are going to force you to compete with private cleaning companies who will." That is the real leverage here.

Frankly, they use every ruse possible to hold on to these fiefdoms; and schools are dirty and filthy. We are spending $300 million on school custodians. The average salary for a custodian is $58,000 in New York; the average salary for a teacher is $40,000.

I think there is something wrong with a city that pays the custodians an average of $58,000 while teachers, who have to obtain master degrees, pass all kinds of tests, and who have tremendous responsibility, can only get $40,000. I think this is an area we have to really look at and make some major, major changes immediately.

Another area where taxpayers' dollars are being swallowed up by corruption and inefficiency is in the local school board districts.

In a recent document, budget lines were analyzed for each of the 32 school districts in New York City. Let me show you some examples.

District 6, in upper Manhattan, had the lowest budget for teachers and principals of any of the school districts, the highest for school aides and paraprofessionals, and was 23rd in the city in student reading scores. Its per-session budget costs for the work performed outside of normal school hours is more than three times the citywide average. The overall budget was $700,000 in deficit.

The question is what is going on in that district? The school budget is being used for patronage rather than delivering services to the children.

Furthermore, when the Board received $298,000 from the Safe Streets/Safe Cities program, for much needed school security, it used the money to pay for the salaries of assistant principals and deans on staff. It claimed that these individuals were given new security duties and the moneys for their salaries were applied to the district's general deficit reduction. It was a neat trick, but there was one small problem: The schools were not safer.

If we turn our attention to District 12, it runs a close second in terms of unexplained spending decisions. While coming close to the average spending per capita, it has the second lowest per capita budget for teachers. As a result, there are more children per teacher than in most other districts. Not surprisingly, it was 31st in the city for students' math scores and 30th in reading scores. The scores have sunk further this year.

District 12 has the highest per capita spending for assistant principals and prep periods and the second highest per session budget and OTPS. These are areas where a board can reward friends and cronies with jobs, salary supplements, and purchasing perks.

Special Commissioner Stancik described how the school boards exercise power over educators' jobs. In a report released in April 1993, he said, "They hold the keys to job promotions, per session contracts, and a host of other benefits. At the same time, they can withhold bonuses and have employees transferred."

The special investigator found widespread patronage appointees who were required to work on the campaigns of the sponsors; board members who used supplies and equipment from the district office; and rampant nepotism.

While the Office of Budget Operation and Review has the power to force school districts to conform to general auditing rules and regulations, it doesn't have the power to determine how school budgets should be allocated.

For example, it was not until my office revealed to the Board of Education the misuse of funds by the superintendent of District 12 that an investigation was launched revealing the extent of the corruption of the system.

Obviously, the auditing process, as presently structured, is inadequate; nor does it touch on quality of education issues. New standards are urgently needed to guide schools to maintain the appropriate levels of student-teacher ratios as well as other indicators of quality control.

Further reform must involve clarification of the State education laws so that the intentional interference into the hiring process can lead to suspension or permanent removal of the school board official.

Obviously, these local school boards have become patronage mills rather than tools for education. And in the real world, we all know what happens is that groups in the district control the school boards and use it for their own political advantage. It is a widespread patronage system, and has little to do with education. In many districts, school boards get $35–$40 million to spend. There is not one member of the board who is a parent.

And the whole purpose is to get parental involvement here, and it just hasn't happened. These boards we looked at need a major reform. We have to look at the validity of the whole system and whether the school boards are working or whether they need to be changed or even eliminated.

I would like to thank you very much for this opportunity. This committee is very important because we spend some $6.5 billion on public education here in New York. Only a small part of the tax dollar goes into instruction for the kids in the classroom. The system needs major overhauling—from the contracting out of custodians to the problems with the school buses to the very nature of the governance of the school system.

Congressman Owens, I think we desperately need you to continue to focus on this issue. Coming from Washington, where you are not involved in the day-to-day workings of the system, you can get the kind of overview that is needed and make the kind of reforms that we must have. Right now the kids are getting shortchanged, and it is an educational disaster here in New York. We know what has to be done. But I think if you issue a report outlining a call for action, that would be incredibly helpful.

[The prepared statement of Mr. Stein follows:]

STATEMENT OF ANDREW J. STEIN, PRESIDENT, NEW YORK CITY COUNCIL, NEW YORK, NEW YORK

Good morning, I am Andrew Stein, New York City's Council president. I congratulate Congressman Owens for convening today's hearing. I believe that waste and mismanagement in public education is one of the most important challenges facing New York City today. It is crucial that we properly educate our children, and, given current economic hardships, it is absolutely crucial that our tax dollars be used as efficiently as possible. This hearing has picked just the right target, and I expect that the testimony today should score a direct hit.

As you know, I have long focused my attention on waste in our schools, and I wish to draw on this work as well as some more recent investigations done by others.

The basic problem in how we allocate money in our public schools is that too much money gets spent before it reaches the classroom. I will discuss three areas where money is wasted and children shortchanged. They are: school bus transportation, custodial services, and mismanagement of community school board budgets.

The Board of Education's Office of Pupil Transportation extends contracts each year to various school bus companies to transport both regular and special education students. It has, however, refused to bid out these contracts.

As it happens, the Department of Transportation took over $70 million in bus contracts for preschool and special education students last May. Where possible, it then started to bid these contracts out. The results have been excellent. Up until now, the DOT has bid out 24 contracts at an average cost of $20 per child per day. This compares with an average figure of $34 for the 120 contracts let by the Board of Education which range from $14–$40 per child per day.

Fourteen dollars a day is a big difference, especially when you are talking about many thousands of students. Or as someone once said, when you start adding a million here and a million there, eventually you are talking about real money. Here, we are talking about millions of dollars that could go into the classroom but are not. That is wrong.

Part of the problem with the Board of Education procedures is the way it has written its contracts. According to the Department of Transportation, the current contract is so specific that only those who already provide the service are eligible. This creates a kind of monopoly by arrangement. Needless to say, it encourages higher costs.

This kind of mismanagement is aggravated by the fact that there is no adequate financial review. The Board of Education's Office of Auditor General is three years behind in its audits of the bus companies.

Another area in desperate need of reform is the school custodial system. Some of the problems with this system were described at your last hearing by Special Commissioner of Investigations Stancik. His efforts in this area followed on three reports written by my office in 1987, 1988, and 1990. These reports detailed abuses by custodians who run schools as personal fiefdoms, and who are accountable to no one.

The custodians' contract signed by the Board of Education only requires classrooms and hallways to be swept every other day and mopped three times a year. The school lunchroom must be mopped only once a week. Custodians may hire handymen to do minor maintenance. Many, however, hire their wives or each other's wives to do clerical work, while paying them at a handyman rate. Custodians can buy expensive Jeeps and school equipment which, after 5 years, become their personal property.

A result of our efforts is that the Board of Education is currently making every effort to contract out custodial services in the schools. This is a positive step, but we should move faster.

The Board is currently contracting custodial services in 43 schools and will add another 40 schools by next February. It cannot come fast enough. I recently received complaints from one school, where parents say that their custodian is a terrible drunk, who is endangering their children. My office is currently in the process of resolving their situation.

On the other hand, when reform is implemented, the results can be dramatic. At I.S. 145 in Queens, which I recently visited and where the custodial contract was put out for competitive bidding, the principal told me that he now controls his workers. He said he only needs to radio them and they happily respond to his requests. For years, he had suffered under custodians who refused to cooperate with either him, the teachers or the parents.

As a result of my office's investigative reports, the Board of Education in 1988 took the custodial supervisors out of the custodians' union and made them "plant managers." Many principals told us that this was one of the first real improvements achieved in the last contract between the custodians' union and the Board of Education. However, the union fought the change both in Albany and in the courts and was able to prevail.

Therefore, in order to effect permanent change, I support the bill in Albany sponsored by Assemblyman Del Toro. This bill would give the chancellor the authority to adopt standards for the evaluation of the custodians which would be based on how clean or dirty a building is, not on whether it is allegedly swept and mopped according to schedule.

The bill also calls for designating school plant managers as management and confidential employees in a noncompetitive class. This would reverse what the custodians won in court. The plant managers would remain outside the custodian's union and answer only to the central board management. The bill also would make it affordable for communities to provide after-school programs for New York City children. I called for all these changes in my reports on the custodians several years ago.

The Board of Education should implement an entirely new custodial system which would put the custodian on the school payroll under the authority of the principal.

Another area, where taxpayers' dollars are being swallowed up by corruption and inefficiency is in the local school districts. In a recently published document from the Board of Education, budget lines were analyzed for each of the 32 school districts in New York City. Let me show you some examples:

District 6, in upper Manhattan, had the lowest budget for teachers and principals of any of the city's school districts and the highest for school aides and paraprofessionals and was 23rd in the city in student reading scores. Its per-session budget costs for the work performed outside of normal school hours was more than three times the citywide average. The overall budget was $700,000 in deficit.

The question is what is going on? Obviously the school budget is being used for patronage rather than for delivering direct services to the children.

Furthermore, when the Board received $298,000 from the Safe Streets/Safe City program for much-needed school security, it used the money to pay for the salaries of assistant principals and four deans already on staff. It claimed that these individuals were given new security-related duties and applied the money for their salaries to the district's general deficit reduction. The schools were not safer.

If we turn our attention to District 12, we see that it runs a close second to District 6 in terms of unexplained spending decisions. While coming close to the average spending per capita on a few budget lines, it had the second lowest per capita budget for teachers. As a result there are more children per teacher than in most other districts. Not surprisingly, it was 31st in the city for students' math scores and 30th in reading scores last year. The scores have sunk even further this year.

District 12 has the highest per capita spending for assistant principals and prep periods and the second highest for per session budget and OTPS. These are areas where a board can reward friends and cronies with jobs, salary supplements, and purchasing perks.

Special Commissioner Stancik described nicely how the school boards exercise power over educators' jobs in a report released in April 1993. He said, "They hold the keys to jobs, promotions, per session contracts, and a host of other benefits. At the same time, they can withhold bonuses and have employees transferred."

In District 12, the special investigator found widespread patronage, hirings that were political rather than merit-based, appointees who were required to work on the campaigns of the "sponsors"; board members who used supplies and equipment from the district office; and rampant nepotism.

While the Office of Budget Operation and Review has the power to force school districts to conform to general auditing rules and regulations, it does not have the power to determine how school budgets should be allocated. For example, it was not until my office revealed to the Board of Education in early 1991 the misuse of funds by the superintendent of District 12, that an investigation was launched revealing the extent of the corruption of the system.

Obviously, the auditing process, as presently structured, is inadequate, nor does it touch on quality of education issues. New standards are urgently needed to guide schools in maintaining appropriate levels of student-teacher ratios as well as other indicators of quality control.

Further reform must involve clarification of the State education law so that the intentional interference in the hiring process by a board member can lead to suspension or permanent removal of the school board member. Further, the power of school boards to control hiring must be limited.

The above ideas do not exhaust all the reforms that are necessary to improve public education in New York City. I believe, however, that they are among the most important.

Once again, I thank you for the opportunity to testify here today. With this kind of serious inquiry into the problems that plague our schools, I am very confident that we can make the necessary changes to meet our children's educational needs. Thank you.

Chairman OWENS. Thank you, Mr. Council President. I have a few questions; but before we proceed, I want to yield to Mr. Payne who joined us after you started your statement.

Mr. PAYNE. Thank you very much.

Mr. Chairman, I will forego any opening statement and give it to you for the record. But let me commend you for having this very important hearing. I attended the last hearing and was shocked at what I heard about some of the procedures here in the New York City Board of Education.

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I really thought I was on another planet in part of that testimony because I couldn't believe that, as we move into the 21st century, such antiquated systems could be in place.

I am here to support you, Chairman Owens; hopefully, we can come out with reforms so that the children who are supposed to benefit from the system will get what they deserve—an education—so that they can work towards improving their quality of life in the future. It is an obligation of the Board of Education of New York to provide for that.

Chairman OWENS. Mr. Council President, you were one of the first to advocate contracting out some of the custodial contracts, and you mentioned before that the chancellor has proceeded to put out some of these contracts—43 I think are out. You mentioned later on that you support Assemblyman Del Toro's legislation.

In my opening statement, I mentioned support of the Assemblyman's original legislation which called for contracting out all of the schools; that seems to have vanished. The new bill calls for a regulation of what exists already.

We have had many reformers, including past board President, Mr. Wagner, who said he had straightened out the custodial contracts for all time. It was a done deal. It was finished and reformed. And yet we see some of the same abuses taking place.

Do you assume that Mr. Del Toro's present legislation rules out further contracting out of custodial contracts?

It seems that the system now is going to be focused primarily on regulating and establishing new conditions for what exists already, abandoning contracting out totally, from where I sit.

Do you assume that is the case?

Mr. STEIN. I think people are backpedaling on this issue. I think Wagner made halfhearted reforms several years ago—a step in the right direction but much, much too little.

He did something about the opening fee situation and tried to get some supervision of the custodians, but it doesn't change the essential problem.

I think Mr. Del Toro had the right idea to start off with; for whatever reason, he is backpedaling now. I think the only way to deal with these custodians is to say that if they aren't doing the job, they should be forced to compete with the private industry.

Why should we spend $300 million and not have clean schools for the kids? I visited schools, and they were unbelievably filthy. I asked why can't you get the custodians to get these schools clean when they are making $60,000–$70,000, and have a big janitorial staff? They laughed at me. They say, "We don't have any control of the custodians. Some of them aren't there for weeks at a time." It is a big, big ripoff.

It is unfortunate that Assemblyman Del Toro went back on his original legislation. I think we should contract out on all the schools. There are 1,000 schools, and we are just contracting out on 43 of them. We have too many problems; you know, better than I, what is going on with the lack of education in our school systems.

Therefore, when we can do something about a particular problem, we should. So I think Del Toro is going in the wrong direction. I think that Wagner's reforms were halfhearted. I think that we should have a contracting out at all the schools, so I think that Del Toro's original legislation was the right approach.

Chairman OWENS. On the bus contracts, you noted that Department of Transportation had let contracts at a much lower cost per child per day.

Is there any impediment, any law, which prevents the entire operation from being transferred to the Department of Transportation and having the Department of Transportation handle the contracts?

Mr. STEIN. There is no law. It is another racket that has been going on for a long time. It has something to do with sweetheart deals and contracts.

But there is no law that would prevent them from competitively bidding all the bus contracts. It would save millions and millions and millions of dollars.

Chairman OWENS. We have not had competitive bidding since 1979, I understand. At that time, Nicholas Pileggi wrote several articles in the New York Magazine about the influence of the mob in the bus contracts and the operation of bus companies. He got pretty specific in naming names. We tried to contact Mr. Pileggi to find out if he had any updates, and we found out that he was in a witness-protection program somewhere in the country. Do you think that the mob factor, the intimidation factors, the fact that each time major reforms have been proposed for the bus contracts there have been strikes and violence, have a great deal to do with the high costs and the mess that we are stuck with?

Mr. STEIN. It is the only explanation that I can come up with. If you look at the system, there is no reason to pay these premiums and not to have competitive bidding. From what I can gather, it seems that there is intimidation going on. There is no public policy reason.

It seems to me that the system has been intimidated, and the mob here seems to be involved. That is the logical conclusion that I have to draw.

Chairman OWENS. We have quite a number of studies and audits from various sources that show that the problem is well documented and not a secret at all; yet, it goes on and on.

Recently, there was antitrust action taken by the Justice Department with respect to contracts for selling milk to schools and military installations. It ended with a large number of arrests and fining of companies; yet, it is going on still.

We didn't start out in this endeavor to investigate or to punish. But what we are discovering is that most of the facts have been well known for some time and no action that is definitive has been taken over decades. Do you think it would be in order to refer this matter to the Justice Department and have them investigate this for violations of RICO statutes.

Mr. STEIN. I think we should do that. If you have subpoena power, you should hold hearings on this issue, and subpoena everybody involved and get to the bottom of it.

With the limited resources that we have at all levels of government, with our kids having such incredible problems in getting an education, there is no reason why we should allow these kinds of abuses to go on because of the mob or because of sweetheart deals.

I think the matter should be referred to the Justice Department. We have known for 50 years, and there have been government groups and folks who have known, that the custodial system is an unbelievable ripoff. We have known that there is no reason not to have competitive bidding in the bus contracts.

It seems to me that there is a lot of shenanigans going on. I would urge you to hold hearings and use the subpoena power that the Congress has given you to try and find out what is going on and refer it to the Justice Department. It is the only way.

When I did my nursing home investigation some 18, 19 years ago, we had to get to the heart of what was going on; there was a lot of corruption there. I think that the same thing has to be going on in these two areas.

Chairman OWENS. Thank you very much.

I yield to Mr. Payne for further questions.

Mr. PAYNE. As relates to the bus contracts, are you familiar enough with the contracts to know whether the bus company determines the route or whether it is predetermined by the administration?

A person figuring he has a bus contract could spend a lot of time riding around if it is not done in an organized fashion.

I also wonder—because contracts are not bidded—whether the longest way is taken, meaning that you need more buses to fulfill a route. Perhaps with the better planned routes you would need less vehicles.

Mr. STEIN. As far as I know—and I am not an expert in all the details—the bus companies do pick their routes.

And I believe that the State auditor general criticized this procedure because, how do we know that they are taking the most direct routes, or we don't need less buses, and so forth. So this is another reform that needs to take place. The bus companies should not set their routes, rather the government should set their routes so that we know that they are not ripping off the system.

Mr. PAYNE. Yes. It just seems to me that also, as relates to the custodial contracts, you indicated that they have the opportunity to purchase items and after a period of time, those items belong to the individual.

Could you cite some types of equipment that a custodian may be able to use ostensibly for a school that then ends up in their possession?

Mr. STEIN. What happens is that they buy these new $20,000 Jeeps that they are supposed to use to shovel snow. But as you know, we haven't had much snow in the past history of New York City. We have documented cases where they have Jeeps and the snow lies there for days at a time.

It is, obviously, nonsense. In an overwhelming number of cases, they keep the Jeeps for themselves and take them home and use them privately. It has nothing to do with the school.

They have bought computer equipment and other kinds of snow blowers. In more cases than not, they take this equipment, use it at home as if it was theirs, and it never sees the school.

Mr. PAYNE. If we start to get a higher level of custodian, could we begin to expect computers that would be purchased and possibly taken home?

Mr. STEIN. There is no reason that they need a Jeep for their custodian duties. That is why you need to contract out; get a company that comes in there and does the job.

In I.S. 145 in Queens, a very dynamic principal, for years, couldn't get any cooperation with the custodians; now he is able to contract out, and the school is beautifully kept and run. If a private company does not do the job, he can go and get another one to do it.

Competition is important. We just need to contract out and get the best private company. The principal should decide whether that company is keeping the schools clean or not.

Mr. PAYNE. Thank you very much. I couldn't agree with you more. In New Jersey, a new industry—casino gambling—was started 15 years ago; the laws were so strict that they have kept the mob out of casino gambling, even out of the unions that service the hotels and the whole atmosphere.

It appears to me that if organized crime could be kept out of something like casino gambling, we should be able to wipe it out of the New York City school system. It does not make sense when we are competing for Federal dollars, and there are nothing but cuts going on in Washington. The main focus now is deficit reduction, not necessarily services or needs. And that is what candidates are going to run for President on; how much they are able to cut the deficit.

And in that climate, you cannot exist any longer wasting money like this. It would appear to me that this is something that the U.S. Attorney should look into or some Federal agency that could come down and sweep these crooks out so that the kids can learn. They are being disenfranchised for the future; this can no longer exist.

Mr. STEIN. I agree with you Congressman.

Chairman OWENS. Mr. Scott.

Mr. SCOTT. I just have a couple of questions.

The election to the school board, is there one school board for New York, or one for each district that is elected?

Mr. STEIN. You have to differentiate between the local school districts. We have 32 separate school districts. We just had our school board elections. And I think there are nine members in each school board that are elected by the public.

Now that is a whole issue by itself——

Mr. SCOTT. Nine elected for the city?

Mr. STEIN. No. There is no central election citywide. For the central board, the mayor has two appointments, I believe; and each of the borough presidents has one appointment.

We have borough presidents, and each one appoints one person to the central Board of Education.

And there is a big dispute in New York about how we reorganize our school system. The present mayor wants to have more power and appoint more people to the board. There are reform proposals out to decentralize our system down to the borough level. So you have 32 districts, and you have the central board to which the mayor and the borough presidents make appointments.

Mr. SCOTT. I will talk to Major Owens about the one man, one vote.

How many schools within each district?

Mr. STEIN. That depends on which district. We have approximately 1,000 schools in New York, but each one is different. Frankly, it depends on the density, but on the average, approximately 20 to 25.

Mr. SCOTT. And each district has $35 million to spend on 30 schools?

Mr. STEIN. Actually, closer to $40 million.

Mr. SCOTT. And they, in the local district, distribute the money throughout the district without supervision?

Mr. STEIN. Well, the local districts have powers to appoint administrators, principals, assistant principals, and various personnel, in the district. They have money to pay these people and to provide other functions in the district.

There are regulations set up by the central board which state that they have to have a certain number of this and a certain number of that. There are certain, overall criteria.

But the problem is that these people, by and large, are not educators. Many of them are not even parents. They have very little, really, to do with the schools. So what has happened is that while there are some very good people on the local school boards, generally, the boards get taken over by various political groups in a district who use them to appoint the principals, the supervisors, thus, a patronage mill happens. The whole system, I don't think, is a good one.

Mr. SCOTT. Do all teachers get paid the same throughout the city, or do the local boards decide things like teachers' salaries?

Mr. STEIN. No. The salaries are set by a contract with the United Federation of Teachers.

But there are other jobs, administrative jobs, in the school system with a tremendous amount of discretion that the local school boards have.

Mr. SCOTT. You mentioned that 43 schools have custodians—that you have contracts with 43. Have the costs gone down significantly?

Mr. STEIN. Yes, the costs have gone down, number one; number two, the results are better.

Mr. SCOTT. And how long do the contracts last? And are they renewable without going out on bid again?

I assumed you bid the contracts?

Mr. STEIN. Yes, they are competitively bid.

Mr. SCOTT. And are they renewed with bids or without bids?

Mr. STEIN. No, they are renewed with bids.

Mr. SCOTT. And how long do they last?

Mr. STEIN. If the private contractor doesn't do the job, you get a new one. So there is constant pressure for them to perform, which is the whole point of the competition and the 1 year, which is important because you get to see that they perform every year.

Mr. SCOTT. And I guess one other question, I understand the costs for transportation of children was $20 per child per day?

Mr. STEIN. The 24 contracts that were bid out were $20; previously, the average cost was $34. So when it was contracted out, the price came down $14 per pupil per day. Multiplied by thousands and tens of thousands of students saves you a lot of money.

Mr. SCOTT. I don't know anything about busing schoolchildren, but that seems an awful lot to pay per day per child, even the $20.

Mr. STEIN. Well, that is certainly a lot. In New York, things are expensive. But there is no question that we are spending much too much money.

Mr. SCOTT. Thank you.

Mr. STEIN. I think our New York delegation finds that when we don't reform ourselves and we have all these problems, it makes it much harder to go to Washington and say that we need additional Federal money.

I know that our congressional delegation has this problem. That is where it behooves us, not only because these reforms are so necessary but also because it is very hard to make our case in Washington, to reform ourselves and make these necessary changes.

Mr. PAYNE. I was going to say it would be cheaper to just send a taxi to everybody's house and take them, and that would save money. The $34 and $20 seems high.

Chairman OWENS. We might note, Mr. Council President, that we—the New York delegation—are constantly badgered, especially by the leaders for the opposition party. They specifically use the case of the custodians over and over again. Finally, it got to 60 Minutes. And on and on it goes and nothing changes.

We hope that the present legislative initiative will result in some real changes. But already I see a retreat, and we are troubled by that. Perhaps the only answer is Federal action via the tenant trust legislation or RICO.

Mr. STEIN. I urge you to stay with it. There has been retreat. I know in Newark you pay your custodians half and get a better job than we do in New York. I believe the average salary is something like $26,000.

Mr. PAYNE. Plus they are shoveling snow, cleaning the building, opening it up, election day they are there. They work to earn their keep.

Chairman OWENS. Thank you very much Mr. Council President.

We will proceed to our second panel. I would like to take note of the fact that we invited the Special Commissioner of Investigation to testify. I have a message from him: "The board's alleged overtime of the school bus companies for pupil transportation services is a subject of a pending investigation by this office. Because of the pending investigation, I will not be able to discuss the problem at this time. Mr. Ed Stancik."

We did not want him to testify on that pending investigation. We were dealing with other matters, but we understand that there is now a court suit. We would like to note that Mr. Stein cooperated with our first hearing at great length.

We would also like to note a letter from Ms. Noreen Connell, from the Educational Priorities Panel. She points out that the Board of Education is seeking transportation funds via Medicaid for children with disabilities, which means that possibly more Federal funds will be involved in the transportation costs. She notes that this gives the Federal Government a new role and perhaps justifies an interjection of Federal supervision to a greater extent than before.

Ms. Connell also points out that the bid-rigging in the milk industry may be an example of the kind of action that can be taken. The investigation and the punishment of people involved in bid-rigging in selling milk to schools and military installations may be a model for investigating transportation services which are not put out for bid.

We will enter Ms. Connell's letter into the record and take note of it in our future deliberations.

I would like to apologize ahead of time to our second panel of witnesses for this crowded situation.

At the time this hearing was planned, we did not know that we would have votes in Washington this afternoon. The time that we have for this hearing is a little truncated, so we want to put all of the remaining witnesses in the second panel and question them all at once in order to save time.

Our remaining witnesses include: Mr. Kevin Gill, Executive Director of Division of Support Services, New York City Board of Education; Dr. Richard Ahola, Executive Liaison for Central Services, New York State Education Department; Dr. Bruce Cooper, Professor of Administration and Public Policy at Fordham University; and Dr. Jean S. Adilifu, Assistant Executive Superintendent, Newark Board of Education.

Due to time constraints, we would prefer that you limit your oral testimony to 10 minutes. Your entire written testimony will be entered into the record. Feel free to highlight any part of it; during the question and answer segment, you will be able to clarify and elaborate on any matters that you feel were overlooked.

We will begin with Mr. Kevin Gill.

Mr. Gill, we appreciate your coming. After a number of people at the Board of Education were reluctant to assume this task, you volunteered to do it. We received commendations about your helpfulness and your integrity from a number of people, and we appreciate your appearing.

STATEMENTS OF KEVIN GILL, EXECUTIVE DIRECTOR, DIVISION OF SUPPORT SERVICES, NEW YORK CITY BOARD OF EDUCATION, LONG ISLAND, NEW YORK; RICHARD AHOLA, EXECUTIVE LIAISON FOR CENTRAL SERVICES, NEW YORK STATE EDUCATION DEPARTMENT, ALBANY, NEW YORK; BRUCE COOPER, PROFESSOR OF ADMINISTRATION AND PUBLIC POLICY, FORDHAM UNIVERSITY, NEW YORK, NEW YORK; AND JEAN S. ADILIFU, ASSISTANT EXECUTIVE SUPERINTENDENT NEWARK BOARD OF EDUCATION

Mr. GILL. Thank you, Mr. Chairman.

Committee members, thank you for affording me the opportunity to testify before you. My name is Kevin Gill, and I serve as the Executive Director for Support Services for the New York City Board of Education. I am here today to talk to you about the three operating units for which I am responsible: the Office of School Food and Nutrition Services, the Bureau of Supplies, and the Office of Pupil Transportation. Our job is to provide the goods and services which support the education of children.

At Support Services, we believe that we have done a good job when the services we provide are so dependable that the people who use those services—children, their families, and their schools—take them entirely for granted.

We believe that we have done our best work when we become invisible to those who use our services. For example, students should need to give no more thought to whether their school bus will arrive on time to give them a safe ride in a clean, well-maintained vehicle than they do to picking up their jackets on the way out of door on a chilly morning.

In short, the Office of Pupil Transportation has worked best when the children we transport do not even know we exist. Naturally, we shall speak mostly about our three organizations. But I will tell you first about a school system in New York which works well but which no one sees. It is a system which is invisible not only because those who rely on its services can do so without noticing it, but also because the public at large seldom hears about it. Quite frankly, it is not good copy. That is fine with us. But we do not want what is being accomplished in New York to escape the attention of this committee.

You know about custodians who cannot be found in the school building, but did you know that on a day when a blizzard closed virtually the entire Northeast we served more than 500,000 meals? These were meals that were served not just to children but to citizens of all ages because school cafeterias were some of the few places in the city able to stay open and act as shelters for a battered populace. On that same day not only did our buses run, but 92 percent of them ran on time. In fact, though we never intended it, our buses have served as an emergency resource. When the World Trade Center was sabotaged, our buses were used not only to transport victims to hospitals but also as command centers and to provide warmth and shelter to police officers and firefighters. When a sea wall in Coney Island collapsed, our buses were used not only to evacuate children from schools but also to evacuate citizens whose homes were in danger.

This invisible system works so well, in fact that, its components can serve as models for the rest of the country; and as we understand it, that will be one of the prime missions of the Institute on Innovation in Educational Governance, Finance and Management: to identify schools, school systems, and school support services which work well and to make the techniques and knowledge which make them work well available throughout the United States.

We applaud that mission, and it is our desire to assist you in achieving it.

It was my intention to discuss at this point in my testimony some of the fine programs and wonderful principals and schools that are part of the New York City school system. When I asked my field supervisors for a short list of the outstanding programs in their districts, within hours we were deluged with the names of hundreds of principals, schools, and other organizations for inclusion here. That is the invisible system of which we speak.

To inciude some but not others would not be fair. However, we would be happy to supply the committee with specific examples should you desire to see these success stories for yourselves. There is also the other more visible school system. That system absorbs, perhaps, 150,000 children each year. The size of that system may not surprise you, but what may surprise you is the extent to which the dramatic increase in the school-age population over the last several years has been fueled by immigration.

For the 1991–1992 school year, 43,273 immigrant students entered the school system. Of course, many of these children arrived with special needs. Between 1986 and 1991, the number of students in our schools found to be limited English proficient increased by 42 percent. And if just being new to English were not enough, some of these students may have never attended formal classes before.

While there are many oversight agencies, committees, departments of education, and departments of nutrition who are well intentioned, they realize that the process of education itself is one whose workings are, even today, not clearly understood and one on which it is extremely difficult to reach a consensus.

Just as a mother and father may disagree over whether or not to pick up a crying six-month old each time he or she cries, educators and others have different views on how best to educate one million children. Since the oversight agencies are not certain themselves about the process of education but feel they must do something, the usual response is to audit something which they feel that they do understand. The end result is that they count pieces of paper and demand ever more forms.

My office has been the subject of 75 major audits over the past few years. You have never heard of them because there have been no serious negative findings and certainly no breakthroughs on improving the education in the United States. If we could combine the results into a single book, we could entitle it, "How to Extract More Paperwork From the Students and Principals."

This panel, on the other hand, appears to be headed on the right track by looking at the programs which are successful in educating children and then making those models available to all who can use them.

What I shall do now is report to you on some of the successes we have had in support services in the hope that some of what we have done will catch your imagination and suggest to you the types of ideas which are worthy of consideration by the institute.

The first initiatives, which I shall describe, were undertaken by the Bureau of Supplies; and they represent some of the primary reasons we believe that BOS must be considered one of the premiere public procurement agencies in the Nation. In fact, so far as we know, two of these programs, the Lowest Price Guarantee, and the Buyer's Protection Plan, have no parallel in other public agencies.

For several years now, BOS has administered a program called Teachers' Choice. Through Teachers' Choice, classroom teachers, guidance counselors, and the other school staff members who have the daily responsibility for the education of our children are given an annual budget allocation to purchase supplies for use with their students; and we are not talking about the basic supplies such as paper, chalk, and textbooks, but an incredible array of educational aids—selected in conjunction with panels of educators—from videos and computer software to maps and microscopes.

The first innovation we introduced with Teachers' Choice was to base the ordering process on telemarketing. Each eligible participant is notified of his or her budget allocation, given access to a catalog of the items available and supplied with a toll-free telephone number which they can call to place their orders. We suspect that if you hold your hearings around the country and ask school staff what is the most frustrating part of obtaining supplies you will find that the most common answer, after budget restrictions, will be the cumbersome paperwork usually associated with the ordering process. Because Teachers' Choice is aimed to reach directly into the classroom to educators and not to administrative staff who are accustomed to the more usual ordering protocols, we wanted to make the process as "user friendly" as possible. We wanted the experience to be more like dealing with L.L. Bean than the Department of Motor Vehicles.

Our telemarketing initiative has been a major success. It has been so successful in fact that we expanded the concept into a second program which we call Principals' Choice. Principals' Choice is very much the same as Teachers' Choice. The primary difference is that the items offered through Principals' Choice are the more mundane supplies such as paper and chalk which keep the schools functioning throughout the year. This year, through these two programs, 50,000 teachers and principals will select from more than 4,000 items in ordering $15 million in supplies.

The next innovation we introduced through Teachers' Choice was the Lowest Price Guarantee. With this guarantee, we promised the participants that if they could find any item in our catalog under the same terms and conditions we supply—warranties, inside delivery, set up, and so on—that might be up to 200,000 separate items—cheaper, then we would credit their budget allocation with the difference. In the 3 years that the Lowest Price Guarantee has been in effect, there have been only a handful of claims. And upon investigation, they have been found to be without merit. No one has beaten our prices.

Indeed, we believe that the prices which we obtain through the competitive bidding process for all the goods and services we supply are second to none. We routinely compare our prices with those advertised by the large local retailers; and those comparisons, just as routinely, show that our price beat even the sale prices, without delivery or set up.

It was this foundation, that of savings and service, on which we have built our Buyer's Protection Plan which covers everything which schools purchase using the contracts that BOS establishes. And we bid and contract for almost everything that you can think of, from computers and security devices to an ambulance for the training of future health care workers at the Tri-School Confederation, and a helicopter for the education of future mechanics at the Aviation High School.

The Buyers' Protection Plan assures those who use our contracts of: low prices—we encourage all who use our services to comparison shop and see how low our prices really are; customer service—BOS will follow up on any problems with an order; vendor relations—BOS can speak with the voice of 1,000 schools in addressing any dispute with a vendor; and a complete package—where appropriate our contracts include warranties, installation and any other services or guarantees that might be required to assure immediate usage and the minimization of long-term costs which a less experienced consumer might neglect at the time of initial purchase.

We have already alluded to the competitive bidding process; and as the purchasing arm of the Board of Education, the competitive bidding process is the heart of how the Bureau of Supplies does business. Over the years, we came to recognize that if the bidding process had one area in which it could be improved, it was in increasing the diversity of the potential contractors who participated. It was our desire to increase that diversity that led us to establish the Minority/Women-owned Business Enterprise Program.

Our initial efforts were concentrated on outreach through advertising, participation at appropriate conventions and the like and on education through printed materials and workshops which we conduct on a regular basis to familiarize prospective bidders with the requirements associated with the Board's procurement policies. All of our purchasing is done through competitive bidding of one form or another, and the Board's practices are governed by New York State Education Law. That law does not provide for set-asides and it limits any activity which might influence who will participate in formal bids which are for goods and services with an expected value of $15,000 or more.

Nevertheless, we have been able to more aggressively pursue the participation of M/WBE's in informal bids, that is, those valued at under $15,000.

Standard practice had been to require price quotes from a minimum of three potential vendors in these bids. We established a policy of BOS for these informal bids whereby three vendors would be selected to participate following usual procedures which were designed to assure that offerings were rotated among all known vendors and that a fourth vendor would be included which must be an M/WBE regardless of whether or not any of the other three were M/WBE's. Since the inception of this program, M/WBE's have been awarded 22 percent of all informal contracts in those contracting areas in which there were M/WBE's to compete.

In our procurement activities, it is the Contract Compliance function which makes the other programs work. To paraphrase Congressman Payne, who played an important consultative role in this weekend's actions in Mogadishu, "You must use force to fight force." Just as in Somalia, there are powerful actors who will behave as well or as badly as you allow them. We force the thousands of contractors who do business with the Board of Education to be on their absolute best behavior. When they do behave well, they receive our "Good Housekeeping Seal of Approval." When they do not, our Contract Compliance Office goes after them.

One outstanding example of the effectiveness of our efforts can be seen by comparing the Board's experience with Revere, Incorporated, an armored car service, with that of a major financial institution. According to recent reports in the media Citibank experienced a loss of more than $20 million when they continued to do business with Revere after some initial indications of problems with their service. Two years before this incident, BOS had defaulted Revere because of their poor performance and had informed other government agencies of that fact through the Vendex system.

Chairman OWENS. Mr. Gill, you have reached the 10 minute limit. Can you wrap up?

Mr. GILL. Well, I wanted to talk about the Office of School Meal Service System. Our primary concern is not that it is nutritious—although it is—or delicious—though it is—but that it is safe.

I need to talk about two programs quickly, Congressman. I think you might personally be interested in them.

We developed two programs: first the Summer Apprenticeship Programs. We contacted two high schools, and each principal was asked to recommend 15 students. We hired those students. At a time when the Clinton administration has reduced those numbers, we have expanded that number; and this year we will hire 300 students. They work in the food service area, and they have an hour of instruction. This year's topic is leadership.

A second program is Project STEP. We have reached out to various ministers and religious leaders and asked them to recommend a young person to help us in the kitchen who may have had a brush with the law. The purpose is to get the young people into employment and to make sure that there is a connection with the local pastor.

The requirements: if you make a recommendation, you must follow up on that recommendation and stay with that young person. We have hired over a hundred of those. Congressman Owens is familiar with a number of the ministers.

At the Office of Pupil Transportation, our interest is safe, efficient transportation. We achieved this using the oldest management tool: the carrot and the stick. The severity of the actions against companies—removal of 35 from the school bus industry—and drivers and escorts—the strictest code of behavior and the most severe penalties for not complying with our drug testing policy—coupled with the judicious use of extension agreements and recommendations for competitive bidding have given the children the safest form of transportation in the United States according to WABC–TV.

A detailed study is included in the Contracting Plans attachment which you have received.

The service has been delivered in a cost-effective manner. Not only have the per-vehicle costs risen less than the CPI but per student costs have risen less as a result of more effective routing.

In addition, soon after assuming the position of executive director, we begin a vigorous audit of the cost justification statements of the bus companies that recouped $6 million, some of which recurs each year.

We also alerted the chancellor and his staff of the possibility that additional funds might be recouped. Since those audits are in litigation, we will not know the ultimate outcome for some time; but we are hopeful that they might further reduce our transportation costs.

Three years ago we gave our blueprint to the chancellor and the board for providing clean, safe, reliable transmission to the city's students at nearly 2,000 locations throughout the metropolitan area.

We are proud of the fact that since that time we have traveled over one-half billion passenger miles and made 60 million pickups and dropoffs of the youngest and most fragile students without incident. It is our intention to maintain that level of safety and service. The parents demand it, and the children deserve it.

Thank you.

[The prepared statement of Mr. Gill follows:]

Statement of Mr. Kevin F. Gill, Executive Director for Support Services, New York City Board of Education

You know about custodians who cannot be found in the school building, but did you know that on a day when a blizzard closed virtually the entire Northeast we served more than 500,000 meals? These were meals that were served not just to children but to citizens of all ages because school cafeterias were some of the few places in the City able to stay open and act as shelters for a battered populace. On that same day not only did our buses run, but 92 percent of them ran on time. In fact, though we never intended it, our buses have served as an emergency resource. When the World Trade Center was sabotaged, our buses were used not only to transport victims to hospitals but also as command centers and to provide warmth and shelter to police officers and firefighters. When a sea wall in Coney Island collapsed, it was our buses which were used not only to evacuate children from schools but also to evacuate citizens whose homes were in danger.

For several years now, BOS has administered a program called Teachers' Choice. Through Teachers' Choice, classroom teachers, guidance counselors, and the other school staff members who have the daily responsibility for the education of our children are given an annual budget allocation to purchase supplies for use with their students; and we are not talking about the basic supplies such as paper, chalk, and textbooks, but an incredible array of educational aids (selected in conjunction with panels of educators) from videos and computer software to maps and microscopes.

The first innovation we introduced with Teachers' Choice was to base the ordering process on telemarketing. Each eligible participant is notified of his or her budget allocation, given access to a catalog of the items available and supplied with a toll-free telephone number which they can call to place their orders. We suspect that if you hold your hearings around the country and ask school staff what is the most frustrating part of obtaining supplies you will find that the most common answer, after budget restrictions, will be the cumbersome paperwork usually associated with the ordering process. Because Teachers' Choice is aimed to reach directly into the classroom to educators and not to administrative staff who are accustomed to the more usual ordering protocols, we wanted to make the process as "user friendly" as possible. We wanted the experience to be more like dealing with L.L. Bean than the Department of Motor Vehicles.

Our telemarketing initiative has been a major success. It has been so successful in fact that we expanded the concept into a second program which we call Principals' Choice. Principals' Choice is very much the same as Teachers' Choice. The primary difference is that the items offered through Principals' Choice are the more mundane supplies such as paper and chalk which keep the schools functioning throughout the year. This year, through these two programs, 50,000 teachers and principals will select from more than 4,000 items in ordering $15 million in supplies.

The next innovation we introduced through Teachers' Choice was the Lowest Price Guarantee. With this Guarantee, we promised the participants that if they could find any item in our catalog under the same terms and conditions we supply—warranties, inside delivery, set up, and so on cheaper anywhere else that we would credit their budget allocation with the difference.

The Buyers' Protection Plan assures those who use our contracts of: low prices—we encourage all who use our services to comparison shop and see how low our prices really are; customer service—BOS will follow up on any problems with an order; vendor relations—BOS can speak with the voice of 1,000 schools in addressing any dispute with a vendor; and a complete package—where appropriate our contracts include warranties, installation and any other services or guarantees that might be required to assure immediate usage and the minimization of long-term costs which a less experienced consumer might neglect at the time of initial purchase.

We have already alluded to the competitive bidding process; and as the purchasing arm of the Board of Education, the competitive bidding process is the heart of how the Bureau of Supplies does business. Over the years, we came to recognize that if the bidding process had one area in which it could be improved it was in increasing the diversity of the potential contractors who participated. It was our desire to increase that diversity that led us to establish the Minority/Women-owned Business Enterprise (M/WBE) Program.

Our initial efforts were concentrated on outreach through advertising, participation at appropriate conventions and the like and on education through printed materials and workshops which we conduct on a regular basis to familiarize prospective bidders with the requirements associated with the Board's procurement policies. All of our purchasing is done through competitive bidding of one form or another, and the Board's practices are governed by New York State Education Law. That law does not provide for set-asides and it limits any activity which might influence who will participate in formal bids which are for goods and services with an expected value of $15,000 or more.

Nevertheless, we have been able to more aggressively pursue the participation of M/WBEs in informal bids, that is, those valued at under $15,000.

Standard practice had been to require price quotes from a minimum of three potential vendors in these bids. We established a policy at BOS for these informal bids whereby three vendors would be selected to participate following usual procedures which were designed to assure that offerings were rotated among all known vendors and that a fourth vendor would be included which must be an M/WBE regardless of whether or not any of the other three were. Since the inception of this program, M/WB's have been awarded 22 percent of all informal contracts in those contracting areas in which there were M/WBEs to compete.

In our procurement activities, it is the Contract Compliance function which makes the other programs work. To paraphrase Congressman Payne, who played an important consultative role in this weekend's actions in Mogadishu, "You must use force to fight force." Just as in Somalia, there are powerful actors who will behave as well or as badly as you allow them. We force the thousands of contractors who do business with the Board of Education to be on their absolute best behavior. When they do behave well, they receive our "Good Housekeeping Seal of Approval." When they do not, our Contract Compliance Office goes after them.

One outstanding example of the effectiveness of our efforts can be seen by comparing the Board's experience with Revere, Incorporated, an armored car service, with that of a major financial institution. According to recent reports in the media Citibank experienced a loss of more than $20 million when they continued to do business with Revere after some initial indications of problems with their service. Two years before this incident, BOS had defaulted Revere because of their poor performance and had informed other government agencies of that fact through the Vendex system.

Chairman OWENS. Thank you. We will enter into the record in its entirety your contracting plans for the procurement, September 1993.

You submitted a number of other pieces of literature which we will submit to the committee for review.

Our next witness is Dr. Richard Ahola.

Mr. AHOLA. Mr. Chairman, subcommittee members, staff and ladies and gentlemen:

I am Dick Ahola, Executive Liaison for the Office of Central Services of the New York State Education Department. Thank you for inviting me to testify at the subcommittee field hearing. I will limit my comments to the State Education Department's oversight of the transportation of school-aged children during the regular school years, except for brief comments concerning preschool and summer school transportation of students with disabilities.

It should be understood that there are no Federal funds directly supporting pupil transportation in New York State. The current State aid formula, in effect, reimburses school districts 90 percent of the 1991–1992 approved costs for transporting disabled pupils and those pupils residing more than 1½ miles from school.

Transportation of preschool children with disabilities is reimbursed 50 percent by the county and 50 percent by the State. Consumer school transportation of school-aged disabled pupils for

1987–1991 was aided by the State at 100 percent of approved costs. Since that time, the State aid ratio is 80 percent.

The responsibilities of the General Aids and Services Team of the New York City Education Department relative to New York City Board of Education program are as follows:

That team approves and desk audits transportation contracts and extensions for transportation aid purposes. In 1991–1992, in New York City, private contractors transported 119,157 pupils at a cost of $247,650,888. On a daily basis—I just did mental calculation—that is more like $12 a day.

We approve and desk audit public service transportation expenditures for transportation aid purposes. In 1991–1992, public service carriers transported 441,604 pupils at a cost of $133,292,409.

We provide technical assistance and funding for computerized school bus routing. Such computerized routing cost $400,000 in 1991.

We provide technical assistance for schoolbus driver training and respond to parental inquiries.

Before I address the question of whether the State would favor a return to competitive bidding of schoolbus contracts, I need to address the legal and regulatory requirements for awarding and extending transportation contracts.

I have included copies of subdivision 14 of section 305 of the Education Law and part 156 of the Regulations of the Commissioner of Education.

Under the provisions of section 305 of the Education Law and section 103 of the General Municipal Law, school districts must initially competitively bid transportation contracts for service costing in excess of $10,000 a year. Transportation contracts may be awarded for a period of 1 to 5 years.

When a transportation contract is awarded on the basis of competitive bids, it may be rebid in the ensuing years or may be extended under the provisions of the Education Law and the Regulations of the Commissioner of Education.

Extensions of contracts may be for a 1-, 2-, or 3-year period. And the increase in annual cost must be justified by the contractors.

In addition, the increase in annual cost may not exceed the 12-month percentage increase in the New York-Northeastern New Jersey regional consumer price index ending in May. The CPI increase applicable for this school year's transportation was 3.4 percent. The new figure for next year will be reported on June 18 of this year and will probably be under 4 percent.

Competitively bid contracts may be extended indefinitely, although the Commissioner of Education may reject an extension after 10 years if, in his opinion, it is in the best interests of the district. Upon rejection of any proposed extension, the Commissioner may order the Board of Education to seek, obtain. and consider bids for new transportation contracts.

With respect to questions of whether or not the New York City Board of Education should competitively bid contracts or continue extending them as they have since 1979 depends on whether that body believes that bidding will provide more economical service.

It is my understanding that the New York City Board of Education is engaged in a negotiations process with its transportation contractors for the purpose of extending the contracts for next year. Since the increase in CPI continues to be reasonable, I would not, at this time, substitute my judgment for that of the Board of Education.

Parenthetically, there is a bill in front of the New York State legislature that would permit 4- and 5-year extensions of contracts. That particular bill will be reported and discussed in the assembly education—Angelo Del Toro's committee—tomorrow.

And in speaking with our assistant to the commissioner responsible for legislative affairs, he tells us that our agency will take no opposition to that legislation.

[The prepared statement of Mr. Ahola follows:]

STATEMENT OF MR. RICHARD R. AHOLA, EXECUTIVE LIAISON FOR CENTRAL SERVICES, NEW YORK STATE EDUCATION DEPARTMENT, ALBANY, NEW YORK

Chairman Major Owens, subcommittee members, staff, and ladies and gentlemen: I am Dr. Richard Ahola, Executive Liaison for the Office of Central Services of the New York State Education Department. Thank you for inviting me to testify at the subcommittee field hearing. I will limit my comments to the State Education Department's oversight of the transportation of school-aged children in New York City during the regular school year, except for brief comments concerning preschool and summer school transportation of disabled pupils. It should be understood that there are no Federal funds directly supporting pupil transportation in New York State. The current State aid formula, in effect, reimburses school districts 90 percent of 1991–1992 approved costs for transporting disabled pupils and those pupils residing more than 1½ miles from school. Transportation of preschool handicapped children is reimbursed 50 percent by the county and 50 percent by the State. Summer school transportation of school-aged disabled pupils for 1987–1991 was aided at 100 percent of approved costs and since that time, the State aid ratio is 80 percent.

The responsibilities of the General Aids and Services Team of the New York City Education Department relative to New York City Board of Education school year pupil transportation program are as follows:

- Approve and desk audit transportation contracts and extensions for transportation aid purposes. In 1991–1992, private contractors transported 119,157 pupils at a cost of $247,650,888.
- Approve and desk audit public-service transportation expenditures for transportation aid purposes. In 1991–1992, public service carriers transported 441,604 pupils at a cost of $133,292,409.
- Provide technical assistance and funding for computerized school bus routing. Such computerized routing cost $400,000 in 1991–1992.
- Provide technical assistance for schoolbus driver training.
- Respond to parental inquiries.

Before I address the question of whether the State would favor a return to competitive bidding of schoolbus contracts, I need to address the legal and regulatory requirements for awarding and extending transportation contracts. I have included copies of subdivision 14 of section 305 of the Education Law and part 156 of the Regulations of the Commissioner of Education with my written testimony.

Under the provisions of section 305 of the Education Law and section 103 of the General Municipal Law, school districts must initially competitively bid transportation contracts for service costing in excess of $10,000 a year. Transportation contracts may be awarded for a period of 1 to 5 years.

When a transportation contract is awarded on the basis of competitive bids, it may be rebid in ensuing years or may be extended under the provisions of the Education Law and the Regulations of the Commissioner of Education. Extensions of contracts may be for a 1-, 2-, or 3-year period and the increase in annual cost must be justified by the contractors. In addition, the increase in annual cost may not exceed the 12-month percentage increase in the New York-Northeastern New Jersey regional consumer price index ending in May. The CPI increase applicable for this school year's transportation was 3.4 percent. The new figure for next year will be reported on June 18, 1993 and will probably be under 4 percent.

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Commissioner may order the board of education to seek, obtain, and consider bids for new transportation contracts.

With respect to the question of whether or not the New York City Board of Education should competitively bid contracts or continue extending them as they have since 1979 depends on whether that body believes that bidding will provide more economical service. It is my understanding that the New York City Board of Education is engaged in a negotiations process with its transportation contractors for the purpose of extending the contracts for next year. Since the increase in CPI continues to be reasonable, I would not, at this time, substitute my judgment for that of the Board of Education.

Thanks again for the opportunity to comment.

Subdivision 14, Section 302, NYS Education Law

14.a. All contracts for the transportation of schoolchildren, all contracts for mobile instructional units, and all contracts to provide, maintain and operate cafeteria or restaurant service by a private food service management company shall be subject to the approval of the commissioner, who may disapprove a proposed contract if, in his opinion, the best interests of the district will be promoted thereby. All such contracts involving an annual expenditure in excess of the amount specified for purchase contracts in the bidding requirements of the general municipal law shall be awarded to the lowest responsible bidder, which responsibility shall be determined by the board of education or the trustee of a district, with power hereby vested in the commissioner to reject any or all bids if, in his opinion, the best interests of the district will be promoted thereby and, upon such rejection of all bids, the commissioner shall order the board of education or trustee of the district to seek, obtain and consider new proposals. All proposals for such transportation, mobile instructional units, or cafeteria and restaurant service shall be in such form as the commissioner may prescribe. Advertisement for bids shall be published in a newspaper or newspapers designated by the board of education or trustee of the district having general circulation within the district for such purpose. Such advertisement shall contain a statement of the time when and place where all bids received pursuant to such advertisement will be publicly opened and read either by the school authorities or by a person or persons designated by them. All bids received shall be publicly opened and read at the time and place so specified. At least five days shall elapse between the first publication of such advertisement and the date so specified for the opening and reading of bids. The requirement for competitive bidding shall not apply to annual, biennial, or triennial extensions of a contract secured through competitive bidding when such annual, biennial, or triennial extensions (1) are made by the board of education or the trustee of a district, under rules and regulations prescribed by the commissioner, and, (2) do not extend the original contract period beyond five years from the date cafeteria and restaurant service commenced thereunder and in the case of contracts for the transportation of pupils, or for mobile instructional units, that such contracts may be extended, except that power is hereby vested in the commissioner, in addition to his existing statutory authority to approve or disapprove transportation contracts, (i) to reject any extension of a contract beyond the initial term thereof if he finds that amount to be paid by the district to the contractor in any year of such proposed extension fails to reflect any decrease in the regional consumer price index for the NY, NY—Northeastern, NJ area, based upon the index for all urban consumers (CPI-U) during the preceding 12 month period; and (ii) to reject any extension of a contract after 10 years from the date transportation service commenced thereunder, or mobile instructional units were first provided, if in his opinion, the best interests of the district will be promoted thereby. Upon such rejection of any extension, the commissioner may order the board of education or trustee of the district to seek, obtain and consider bids pursuant to the provisions of this section. The board of education or the trustee of a school district electing to extend a contract as provided herein, may, in its discretion, increase the amount to be paid in each year of the contract extension by an amount not to exceed the regional consumer price index increase for NY, NY-Northeastern, NJ area, based upon the index for all urban consumers (CPI-U), during the preceding 12 month period, provided it has been satisfactorily established by the contractor that there has been at least an equivalent increase in the amount of his cost of operation, during the period of the contract.

PART 156

TRANSPORTATION

(Statutory authority: Education Law, §§ 207, 1604[23], 1709[27], 3602[7][a]-[b])

Sec.
156.1 Applications, contracts, and other information to be filed
156.2 Approval of routes, seating capacities, and computerized bus routing services for State aid purposes
156.3 Safety regulations for drivers and pupils
156.4 Bus purchase approval
156.5 Annual extensions of transportation contracts
156.6 Leasing of school buses under emergency conditions
156.7 Calculation of nonallowable pupil deduction
156.8 Regional transportation expenses
156.9 Equipment and other expenses eligible for transportation aid
156.10 Retirement benefits and transportation during the school day eligible for transportation aid

Section 156.1 Applications, contracts, and other information to be filed.
(a) Application for the approval of all bus routes and bus capacities, together with transportation contracts, including contracts for the operation of district-owned conveyances and all contracts for the maintenance and/or garaging of district-owned conveyances shall be filed by the superintendent or district superintendent of schools with the Commissioner of Education on forms prescribed by him. In addition thereto, such superintendent or district superintendent of schools shall file with the commissioner the instructions to bidders, bid forms and specifications upon which such contracts were awarded, a summary of bids submitted, a statement of the actions taken to solicit bids, including copies of the advertising required by law, any additional advertising, a list of the potential bidders actively solicited, and such other information as the commissioner may require.

(b) The advertisement for bids for contracts for anticipated transportation needs for the following school year shall be published not later than June 1. Any contract awarded as a result of competitive bidding, together with the documents required by the provisions of subdivision (a) of this section, shall be filed with the Commissioner of Education within 30 days following approval of the contract by the board of education or trustee. Contracts which cannot be awarded on or before August 1, together with other required documents, shall be filed with the commissioner within five days after approval by the board of education or trustee.

(c) Separate contracts shall be awarded for transportation to and from school and for other purposes, including but not limited to field trips and athletic events.

(d) Bid specifications shall not include special requirements relating to buses, drivers, maintenance and service facilities, the exclusive use of buses, or any other matter which tends to restrict competitive bidding. The commissioner may authorize special requirements which are essential due to special circumstances. No bid shall be accepted which is contingent on a discount if one or more other bids are also accepted. No bid may be rejected for failure to meet a specification which unduly restricts competitive bidding.

(e) All such contracts will be subject to a test of "reasonable costs" for purposes of determining State aid. Costs considered to be unreasonable will not be allowed in computing State aid.

Historical Note

Sec. repealed, new filed March 1, 1963; repealed, new added by renum. 156.11, filed Nov. 28, 1977 eff. Dec 12, 1977.

156.2 Approval of routes, seating capacities, and computerized bus routing services for State aid purposes. (a) *Routes.* The mileage to be used for State aid purposes shall be the distance along the highway or highways over which the bus travels, beginning at the schoolhouse where the pupils transported attend and proceeding by the most direct route to convey all the pupils entitled to transportation, and returning to the point of origin; provided that the route may begin at some other point whenever it is established to the satisfaction of the commissioner that the facts warrant. In no event will any route be considered for State aid purposes unless it extends more than a mile and a half from the schoolhouse. No State aid will be available for feeder routes unless the distance traveled is more than one mile.

(b) *Approved seating capacity.* The approved seating capacities shall be determined on the basis of the number of pupils legally entitled to transportation; provided, however, that no district shall be required to obtain another conveyance when the originally approved capacity is no longer required. Standing passengers shall not be carried in excess of 20 percent of the seated capacity.

(c) *Duplication of service.* The Commissioner of Education may disallow capacities and mileage which in his judgement are duplication of service and inconsistent with maximum efficiency. Bus routes shall be so arranged that the maximum number of pupils entitled to transportation can be transported with the minimum number of bus miles and for a cost consistent with adequate service.

(d) *Other transportation.* Nothing herein contained shall prevent trustees and boards of education under rules established by them, from providing transportation in addition to that credited for State aid purposes, provided the same is reasonable and in conformity with the provisions of law, and money is legally available therefor.

(*e*) *Computerized bus routing services.* (1) For purposes of apportionment for transportation services, pursuant to Education Law, section 3602(7)(b)(iv), *computerized bus routing services* shall mean programming, software development and software acquisition which result in the economical and efficient development of school bus routes meeting the criteria of this section and which have been approved by the commissioner. Programming and software development may be provided either by school district personnel or by contract.

> (2) Each school district which seeks an apportionment pursuant to Education Law, section 3602(7)(b)(iv) shall annually prepare and submit to the commissioner for prior approval a contract or plan describing the service.

Historical Note

Sec. amd. filed Nov. 15, 1962; repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, new added by renum. 156.12, filed Nov. 28, 1977; amd. filed May 24, 1982 eff. June 23, 1982.

156.3 Safety regulations for drivers and pupils. [Additional statutory authority: Education Law, § 3624] (a) *Approval for employment of school bus drivers.* Approval for employment of a school bus driver shall be in writing on a form prescribed by the Commissioner of Education. A *school bus driver* shall mean any person who drives a school bus which is owned, leased or contracted for by a public school district for the purpose of transporting pupils. However, for the purposes of this section, the following shall not be considered to be school bus drivers:

> (1) a driver of a passenger or suburban type vehicle if such driver is a school district employee who is not ordinarily required to transport pupils and is operating such vehicle for the purpose of transporting one or more pupils to a hospital or other medical facility, a physician's office, or home for medical treatment or because of illness;
>
> (2) a driver of a suburban intercity coach or transit type bus, transporting pupils on trips other than between home and school, such as field trips, athletic trips, and other special transportation services; and
>
> (3) a parent who transports exclusively his or her own children.

(b) *Age.* All drivers of school transportation conveyances shall be at least 21 years of age.

(c) *Physical fitness.* (1) Each driver of a school transportation conveyance shall meet the requirements of section 6.11 of the regulations of the Commissioner of Motor Vehicles and the following basic minimum physical requirements:

(i) minimum vision (with or without glasses) shall be 20/40 in each eye;
(ii) shall have all limbs, hands and feet, including sufficient digits on each hand and the use thereof to enable the driver to control and safely operate the vehicle;
(iii) there shall be a good utilization of both arms and legs;
(iv) hearing in each ear shall be adequate with or without hearing aid; and
(v) shall not have any other physical or mental condition which might impede the ability to operate a bus safely.

(2) Each regular or substitute driver of a school bus owned, leased or contracted for by a school district shall be examined by a physician, in accordance with the provisions of this subdivision. The physical examination shall be reported immediately on forms prescribed by the commissioner to the chief school officer of the district. The physical examination shall include, as a minimum, those requirements specified on the prescribed physical examination report. The report of the physician in writing shall be considered by the chief school officer of the district in determining the fitness for the driver to operate or continue to operate any transportation facility used by pupils. Each school bus driver shall receive an annual physical examination, and each driver who is to be initially employed shall be examined within the four weeks prior to the beginning of service. In no case shall the interval between physical examinations exceed a 12-month period.

(d) *Required licenses.* (1) Each driver of a motor vehicle conveying school children shall have the appropriate operator's or chauffeur's license to operate such motor vehicle.

(2) Each school bus driver initially employed by a board of education or transportation contractor subsequent to July 1, 1973, shall have received at least two hours of instruction on school bus safety practices. Each driver of a vehicle transporting pupils with handicapping conditions exclusively who is initially employed subsequent to January 1, 1976, shall have received an additional hour of instruction concerning the special needs of a pupil with a handicapping condition. During the first year of employment, each driver shall complete a course of instruction in school bus safety practices approved by the commissioner, which shall include two hours of instruction concerning the special needs of a pupil with a handicapping condition. All school bus drivers shall receive a minimum of two hours of refresher instruction in school bus safety at least two times a year, at sessions conducted prior to

the first day of school and prior to February first of each year. Refresher courses for drivers of vehicles transporting pupils with handicapping conditions exclusively shall also include instruction relating to the special needs of a pupil with a handicapping condition. Occasional drivers for other than regular routes shall not be required to receive training specified in this paragraph. For the purposes of this paragraph, *occasional driver* shall mean a certified teacher employed by a school district or a board of cooperative educational services, who is not primarily employed on either a full-time or part-time basis as a school bus driver or substitute school bus driver.

(3) Except as otherwise provided in subparagraphs (i) and (ii) of this paragraph, all training required in this subdivision shall be provided by, or under the direct supervision of a school bus driver instructor approved by the Commissioner. To qualify as an approved school bus driver instructor, individuals shall successfully complete the Department-prepared school bus driver instructor training and evaluation program; each person who applies for admission to this program shall be currently employed by a public school district, BOCES, or private contractor who is currently providing pupil transportation services for a public school district or BOCES. Each such person shall possess a high school diploma or equivalent diploma and shall have completed a course in instruction in school bus safety practices approved by the Commissioner. In addition, each such person shall have completed the Advanced New York State School Bus Driver Training Program or a Department of Motor Vehicles approved Point/Insurance Reduction Program. To maintain approval, instructors shall be required to attend annual refresher training seminars prescribed by the Department.

(i) An approved school bus driver instructor's physical presence shall not be required during training conducted upon initial employment of a school bus driver by a board of education or transportation contractor, provided that such training is conducted under the general supervision of such an approved instructor.

(ii) Upon application by a board of education, a variance may be granted from the requirements of this paragraph for the 1990-91 school year only, upon a finding by the Commissioner that the services of an approved school bus driver instructor are not available to provide the required training.

(e) *Character requirement.* The driver of a vehicle for the transportation of school children shall be of good moral character and thoroughly reliable. At the time of initial application and at such other times as the superintendent of schools or district superintendent of schools may determine, each applicant for approval for employment as a school bus driver shall furnish to the superintendent at least three statements from three different persons who are not related either by blood or marriage to the applicant pertaining to the moral character and to the reliability of the applicant.

(f) *Rules affecting pupils.* (1) Drivers shall not allow pupils to enter or leave the bus while it is in motion.

(2) Drivers are held responsible for reasonable behavior of pupils in transit.

(3) Drivers shall not allow pupils to thrust their heads or arms out of open windows.

(4) The driver of a school bus, when discharging pupils who must cross the highway, shall instruct such pupils to cross the highway at a distance of 10 feet in front of the bus so as to be in vision of the driver. The driver shall also keep such school bus halted with red signal lights flashing until such pupils have reached the opposite side of the highway.

(5) Gas tanks shall not be filled while pupils are in the bus.

(g) *Driving rules.* (1) Drivers shall be familiar with the Vehicle and Traffic Law, regulations of the Commissioner of Motor Vehicles and regulations of the Commissioner of Education pertaining to pupil transportation.

(2) Drivers shall make a full stop at all railroad crossings and at State highways before crossing except that no stop need be made at any railroad crossing where a police officer or a traffic control signal or signs directs traffic to proceed.

(3) Drivers shall give warning before making a left-hand or right-hand turn.

(4) Drivers shall not leave school bus when children are inside except in case of emergency, and in such case before leaving the bus the driver shall stop the motor, remove the ignition key, set the auxiliary brake and leave the transmission in gear.

(5) Drivers shall not smoke, eat or drink any liquid, or perform any act or conduct themselves in any manner which may impair the safe operation of a school bus while such vehicle is transporting pupils.

(h) *Drills on school buses.* (1) The drills on school buses required by section 3623 of the Education Law shall include practice and instruction in the location, use and operation of the emergency door, fire extinguishers, first-aid equipment and windows as a means of escape in case of fire or accident. Drills shall also include instruction in safe boarding and exiting procedures with specific emphasis on when

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and how to approach, board, disembark, and move away from the bus after disembarking. Each drill shall include specific instructions for pupils to advance at least 10 feet in front of the bus before crossing the highway after disembarking. Each drill shall emphasize specific hazards encountered by children during snow, ice, rain, and other inclement weather, including but not necessarily limited to poor driver visibility, reduced vehicular control and reduced hearing. All such drills shall include instruction in the importance of orderly conduct by all school bus passengers with specific emphasis given to student discipline rules and regulations promulgated by each board of education. Such instruction and the conduct of the drills shall be given by a member or members of the teaching or pupil transportation staff. Pupils attending public and nonpublic schools who do not participate in the drills held pursuant to this paragraph shall also be provided drills on school buses, or as an alternative, shall be provided classroom instruction covering the content of such drills.

(2) A minimum of three such drills shall be held on each school bus during the school year, the first to be conducted during the first week of the fall term, the second between November 1st and December 31st and the third between March 1st and April 30th.

(3) No drills shall be conducted when buses are on routes.

(4) The school authorities shall certify on the annual report to the State Education Department that their district has complied with this subdivision.

(i) *Instruction on use of seat belts.* In each school district in which pupils are transported on school buses equipped with seat safety belts, such district shall insure that all pupils who are transported on any school bus owned, leased or contracted for by the district shall receive instruction on the use of seat safety belts. Such instruction shall be provided at least three times each year to both public and nonpublic school pupils who are so transported and shall include, but not be limited to:

(1) proper fastening and release of seat safety belts;

(2) acceptable placement of seat safety belts on pupils;

(3) times at which the seat safety belt should be fastened and released; and

(4) acceptable placement of the seat safety belts when not in use.

Historical Note

Sec. repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, new added by renum. 156.13, filed Nov. 28, 1977; amds. filed: Dec. 17, 1979; Oct. 27, 1980; Sept. 30, 1981; Sept. 24, 1985; Sept. 8, 1986 as emergency measure, expired 60 days after filing; Sept. 30, 1986 as emergency measure; Nov. 25, 1986; amd. filed Jan. 23, 1990 eff. July 1, 1990. Amended (d)(2), added (d)(3).

156.4 Bus purchase approval. The purchase by a school district of any bus to be used for the transportation of children shall be approved by the Commissioner of Education on forms prescribed by him. Every purchase agreement shall include the clause, "specifications subject to the approval of the Education Department." All school buses must comply with the State Vehicle and Traffic Law and with the rules and regulations of the State Department of Transportation. Transportation aid shall not be apportioned on the purchase cost or operating cost of a district-owned school bus unless the school district has obtained the required purchase approval by the commissioner. In no event shall the approval of a school bus purchase be granted where prescribed forms are filed with the State Education Department later than one year from the date on which the bus was purchased. The commissioner may excuse for good cause the failure of a district to request purchase approval within the prescribed period.

Historical Note

Sec. repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, new added by renum. 156.14, filed Nov. 28, 1977 eff. Dec. 12, 1977.

156.5 Annual extensions of transportation contracts. (a) Annual extensions of contracts shall be prepared on forms prescribed by the commissioner; such extensions shall be filed with and approved by the commissioner and are subject to all laws, rules and regulations pertaining to the filing of transportation contracts.

(b) Only contracts awarded in accordance with the competitive bidding requirements of subdivision 14 of section 305 of the Education Law may be extended.

(c) Annual extensions of fixed-price contracts, contracts based upon unit rates, such as per-bus, per-pupil or per-mile, and contracts based upon a combination of a fixed price and unit rate may provide for increases in such fixed prices and/or unit rates not to exceed the contractual amount paid in the preceding year by more than the increase in the regional consumer price index for the 12-month period ending on May 31st immediately preceding the commencement of the contract extension.

(d) Each district proposing to extend a contract shall file with the commissioner satisfactory evidence of the increase in the cost of the contractor's operation during the 12-month period immediately preceding the month in which the contract terminates.

Historical Note

Sec. repealed, filed March 1, 1963; new filed Oct. 31, 1967; repealed, new added by renum. 156.15, filed Nov. 28, 1977; amd. filed Sept. 19, 1988 eff. Nov. 4, 1988. Amended (c).

156.6 Leasing of school buses under emergency conditions. (a) Pursuant to the provisions of section 1709 of the Education Law, school buses may be leased from sources other than a school district, board of cooperative educational services, or county vocational education and extension board under emergency conditions which shall include but not limited to the following:

(1) strikes;

(2) removal of bus from service due to:

  (i) accident
  (ii) mechanical failure; or
  (iii) fire, theft, vandalism;

(3) delay in delivery date.

(b) Within 10 days from the date the emergency occurs, a statement explaining the transportation emergency and its estimated duration shall be forwarded to the Commissioner of Education for approval.

(c) Such approval of the commissioner shall be for a period not to exceed 90 days, unless an emergency still exists. In such event, a request setting forth in detail, the reasons for extension of the emergency shall be filed with the commissioner for approval.

Historical Note

Sec. repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, new added by renum. 156.16, filed Nov. 28, 1977 eff. Dec. 12, 1977.

156.7 Calculation of Nonallowable Pupil Deduction. (a) In those instances in which a school district provides transportation services, by district-owned, leased, or contracted school buses, a nonallowable pupil deduction shall be calculated for purposes of determining aid pursuant to Section 3602 of the Education Law, for transportation expenses incurred in the 1990-91 school year and each school year thereafter, pursuant to this paragraph.

(1) The calculation of the nonallowable pupil deduction for each school district shall be as follows: the dollar amount of the district's nonallowable pupil deduction for expenses for transportation services, by district-owned, leased, or contracted school buses, incurred in each of the school years 1987-88, 1988-89, and 1989-90, as audited and confirmed by the Education Department, shall be summed, with such sum divided by the sum of the district's net transportation expenses related to mileage travelled by district-owned, leased, or contracted school buses for the three years, with the result expressed as a decimal to four places without rounding. This nonallowable pupil decimal shall be calculated by the Education Department for each district, and shall be reported to each district by July 1, 1991. Net transportation expense for purposes of this paragraph shall be the total expense attributable to transportation service to and from school and BOCES programs, for which an apportionment is provided pursuant to articles 65, 73 or 89 of the Education Law, excluding the expenses attributable to other purpose transportation.

(2) In calculating aid to be paid in each school year commencing in school year 1991-92, the nonallowable pupil decimal calculated in paragraph (1) shall be multiplied by net transportation expense of the base year to determine nonallowable expense. Such nonallowable expense shall be deducted from net transportation expense to determine the allowable transportation expense for transportation aid.

(3) A school district shall request of the commissioner the calculation of a new nonallowable pupil decimal during any school year in which the district experiences an increase or decrease from the nonallowable pupil decimal previously calculated pursuant to this section, when any one or more of the following conditions apply:

(i) change in school district transportation eligibility policy;
(ii) school district reorganization with one or more other districts;
(iii) opening of a school building or closing of a building currently used as a school building; or
(iv) an error made by either the school district or the Education Department in the calculation of a nonallowable pupil decimal for a prior year.

(a) Upon receipt of such a request, the Commissioner shall obtain from the district, transportation routing data sheets/private contract trip sheets which contain the number of pupil miles of transportation services provided to all pupils receiving transportation services as of December 1st of the school year in which such increase or decrease was experienced and such other information as may be required to calculate a new nonallowable pupil decimal. Such a new decimal shall be calculated by dividing the total number of pupil miles of transportation services provided to nonallowable pupils on all district-owned, leased, or contracted school buses during the school year in which such change in transportation services occurred by the total number of pupil miles of transportation services provided to all pupils on all district-owned, leased, or contracted school buses during such school year, with the result expressed as a decimal to four places without rounding. The new nonallowable pupil decimal shall be used in calculating transportation aid in each school year after the school year of change in service, in lieu of the decimal previously calculated pursuant to this section.

(h) For purposes of calculating transportation aid pursuant to Section 3602 of Education Law, for school districts using public service carriers, the deduction for nonallowable pupils shall be the actual expenditures for transporting such pupils.

Historical Note

Sec. repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, filed Nov. 28, 1977; new filed Dec. 17, 1979 eff. Jan. 16, 1990; repealed, new filed: Apr. 30, 1991, eff. June 14, 1991.

156.8 Regional transportation expenses. (a) The proration of expenses for regional or joint transportation services shall be determined according to the provisions of a transportation contract between the board(s) of education and the board(s) of cooperative educational services which participate in such regional or joint transportation.

(b) The proration of expenses for cooperative school bus maintenance shall be determined according to the provisions of a transportation contract between the board(s) of education and the board(s) of cooperative educational services participating in such cooperative school bus maintenance.

(c) The approvable expenditures, for purposes of State aid for transportation, of a school district which provides regional transportation or cooperative school bus maintenance services to one or more additional school districts, shall not exceed gross expenditures less all sums received from such other district or districts for the provision of such services.

Historical Note

Sec. repealed, new filed: March 1, 1963; Oct. 31, 1967; repealed, filed Nov. 28, 1977; new filed Jan. 23, 1980 eff. Feb. 25, 1980.

156.9 Equipment and other expenses eligible for transportation aid. For purposes of transportation aid payable pursuant to Education Law, section 3602(7)(b), equipment and other expenses shall be approved in accordance with this section.

(a) Equipment approvable for transportation aid shall include:

(1) vehicles used to transport pupils on a regular basis and items attached to such vehicles; and

(2) items required for the maintenance of such vehicles, whether such items are on or in such vehicles or on or in the garage of facility used to house such vehicles.

(b) Equipment used for transmission of radio communications within the district transportation program and computer data processing equipment for transportation programs shall be eligible for transportation aid only upon prior written approval of the commissioner. Approval of costs for transmission and computer equipment shall be based upon the commissioner's determination of the extent to which such equipment is used for transportation programs.

(c) Equipment eligible for aid pursuant to Education Law, section 3602(6), or any other law, shall not be eligible for aid pursuant to Education Law, section 3602(7)(b), and this section.

(d) Equipment may be approved for aid pursuant to Education Law, section 3602(7)(b), and this section if:

(1) such school bus and garage equipment contributes to the safety of pupils being transported;

(2) the equipment is essential for sufficient operation or maintenance of vehicles used for pupil transportation;

(3) the equipment is essential for the conservation of energy; or

(4) the equipment is required by a State agency pursuant to law or regulation.

(e) Other expenses eligible for transportation aid shall include those which are specifically necessary for the efficient management and operation of a pupil transportation system, as approved by the commissioner, provided, that legal fees shall not be approved.

(f) Only expenses for the items set forth in this section made after June 30, 1982 and approved by the commissioner will be eligible for transportation aid. No expense that is eligible for aid under any other section of law or regulation shall be eligible for aid under this section.

Historical Note

Sec. repealed, new filed March 1, 1963; repealed, filed Oct. 31, 1967; new filed Nov. 28, 1983 eff. Dec. 21, 1983.

156.10 Retirement benefits and transportation during the school day eligible for transportation aid. (a) For purposes of transportation aid payable pursuant to Education Law, section 3602(7)(a), approved retirement expenses shall be determined by multiplying by the ratio of other aidable transportation expenses to total transportation expenses, exclusive of retirement expenses:

(1) the district share of retirement expense payable to the New York State Teachers' Retirement System in the base year for transportation personnel;

(2) the district share of retirement expense payable to the New York State Employees' Retirement System in the base year for transportation personnel;

(3) the district share of retirement expense payable to New York City Teachers' Retirement System in the base year for transportation personnel;

(4) the district share of retirement expense payable to the New York City Employees' Retirement System in the base year for transportation personnel; and

(5) the district share of retirement expense payable to the New York City Board of Education Retirement System in the base year for transportation personnel.

(b) No exp[illegible]hat is eligible for aid under subdivision (a) of this section or under Education Law, section 3602(7)(b)(v), concerning transportation during the school day, shall be eligible for aid under any other section of law or regulation.

Historical Note

Sec. repealed, new filed March 1, 1963; amd. filed Sept. 9, 1966; repealed, filed Oct. 31, 1967; new filed May 1, 1984 as emergency measure; made permanent and amd. by order filed June 26, 1984 eff. June 27, 1984.

Chairman OWENS. The situation now is that there has been no bidding since 1979, and you will now permit extensions for 5 years instead of for 3 years?

Is that what you are saying?

Mr. AHOLA. If that legislation passes.

Chairman OWENS. You are going to increase the extension period?

Mr. AHOLA. The legislature is considering that. With respect to the bidding in 1979, I was on a panel that the governor called together to look at the contract specifications, and I was involved in that process.

One thing that needs to be noted, as I said in my testimony, is that all of the contracts that are extended were initially subject to competitive bidding; those contracts were awarded on the basis of competitive bidding.

Chairman OWENS. In 1979.

Mr. AHOLA. In 1979. There have been contracts that were awarded on the basis of competitive bidding since that time, although obviously not to the extent that they were in 1979. There is rule under the State Education Law, for both bidding and extensions of contracts, and some combination of the two probably serves to protect the public dollar and public policy.

Chairman OWENS. Thank you.

Mr. Steve Hoffman. Mr. Hoffman is not here.

Dr. Bruce Cooper.

Mr. COOPER. Thank you very much, Mr. Chairman and members of the subcommittee.

My name is Bruce Cooper. I do not work for any of the boards of education at the State or local level. I am a professor of educational administration at Fordham University. I am a taxpayer and citizen of New York City and a resident formerly of Brooklyn and now Manhattan. I have three daughters, all of whom graduated from the New York City Public Schools in Brooklyn.

So I come to this with a slightly different angle. I would like to begin by commending the subcommittee. I have worked with OERI, and I think their task is an important one as we face the challenges into the 21st century.

I think the beginning point for me was that, as a parent, I did some calculations on the amounts of money that the Board of Education of New York City was spending; and I was always amazed at how large the classrooms were. There were 35, 34, 33 students in a classroom. The teachers complained about not having the books and pencils that they needed, and they were not arriving on time. If you take $7,000 a kid and multiply by the 33 or 34 children in the room, you realize that the children are worth almost a quarter of a million dollars as they sit there. And you pay the teachers $60,000. You wonder what is happening with all the other money. That is where I began my research.

I began to ask State leaders and district leaders around the country how much money was actually reaching the child in the classroom; and no one could tell me. No one could tell me how much a particular school was receiving or how much children were receiving in classroom instruction.

I went to the accounting firms who audit these school districts and none of them could tell me. What I realized was that no matter how much money we save or spend, and we can reform the system all we want, until this Nation develops a model for accurately tracking money from the school board to the classroom, we can't do the job.

About that time, one of my doctoral students—who happened to be the director of budget for the New York Public Schools—came to me and said, "I would like to do a dissertation." And I said, "Let's track the $7 billion that the New York City Board of Education spends on the classroom and see how much is spent on the children."

We began that work, and I have been quite lucky in that I have been able to develop and test a micro financial model in 35 school systems in New Jersey and New York, and in North Carolina.

I am hitting the States of some of the members of the subcommittee, working closely now in Ohio, to actually try to figure out, not only on a district-by-district basis but across the whole State, how resources are being spent. So my effort has been to try to develop a model. And it begins by trying to determine how much is spent at the central board and how much is spent at each school. That is the first step.

The second is to break out the functions at the school site and at the central office to figure out how much money is spent on administration, on operations and buses and other things, how much is spent on staff development, how much is spent on pupil support, such as guidance and librarians and media, and of course, how much is actually spent school by school in actual expenditures, not budgeted dollars but actual dollars, in reaching the child at the classroom level.

We have been successful in doing that. We were lucky enough to get a grant from the Eli Lilly Endowment which we then applied in eight school districts working through the United States Chamber of Commerce in Washington. Now we are in the process of working with a number of other States.

I think this model has an application here in New York City. It would allow schools, districts, parents, and administrators, to know how much money is being spent, where it is being spent, and how much is reaching the individual school, not an average. America has been using averages forever. But what we really need to know is how many actual dollars, school by school, are reaching the classroom.

Finally, we are attempting to figure out how efficient our system is and how to make it more efficient and productive. We can relate the amounts of money, the percentage of dollars reaching the children in the classroom to academic and social outcomes. We have begun to do that. We found that if you can account for socioeconomic status, to a high level of significance, if you increase money in the classroom, you will increase academic outcome. The effort is to get more of the money into the classroom, to the teacher, to the child; and the model that we have developed allows us to do that.

Thank you very much.

[The prepared statement of Dr. Cooper follows:]

SCHOOL-SITE COST ALLOCATIONS:

TESTING A MICRO-FINANCIAL MODEL IN 23 DISTRICTS IN TEN STATES

Bruce S. Cooper, Ph.D.
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> A school-based funding structure would be quite different . . . The school would be the primary recipient of local, state, and federal revenues. In other words, the revenues supporting the foundation expenditure level and all categorical revenues would be allocated directly to the school. The school would then have to budget the funds. The school would, thus, have the authority to determine the mix of professionals -- teachers, administrators, adjunct teachers, and so on -- at the school site and to hire, supervise and promote and fire them. Further, the school would have fiscal and programmatic responsibility for operations, maintenance, substitutes, books, materials, supplies, and staff development. (Odden, 1992, p. 333)

* * *

INTRODUCTION

School finance in the United States is undergoing a subtle but significant shift -- one reflecting changes in the very organization of schooling itself. From its beginnings, it seems, the system of financing education centered on "state-to-district finance structures," to use Odden and Pincus's (1992) term. In particular, state governments set the finance rules and regulations, provided varying amounts of money, and called upon the local school districts to report on where the money went (Burrup, 1988, pp. 396-402). The purpose was clearly control and accountability. Or, as the Governmental Accounting Standards Board reports: "To present fairly and with full disclosure the financial position and results of financial operations of the funds . . . and to determine and demonstrate compliance with finance-related legal and contractual provisions" (1985, p. 9).

The new face of school finance is very different. While state authorities still have a prevailing interest in seeing that school funds are legally and appropriately used, the new school finance in particular -- like the new school reforms in general -- is centered more on the school and classroom. And the purpose is to inform the various local publics of where resources are going. Under the old system, it made little difference that only "finance experts" were comfortable with the accounting lingo, and that the system had become a complex plethora of budget codes, function codes, object codes, and arcane terms that were too obtuse for even the educated lay person to decipher. The school finance structures of most states were much like the Internal Revenue Code: a conglomeration of rules and regulations, processes and procedures, which grew up over the years and was almost never scrapped, redesigned, and simplified. Instead, the system was changed by augmentation and accretion, with many new provisions coming on top of the existing rules -- a means for "improving" the existing procedures that was almost sure to mean a confusing, contradictory state "handbook" on local school finance.

For, the purposes of school finance were not simple, accessible information, broad inclusion and public involvement; rather the goal was to operate a system that was reasonably efficient for the business officers and auditors--who annually reassured the local school board, superintendent, and state officers that "moneys" in the district were indeed being spent legally and honestly.

It's no wonder, then, that historically school finance was a small, closed shop of number-spouting, code-coughing business managers. After all, as long as they all "spoke the same language" and the ledger books were kept in standard ways (most states have a common coding system for income and expenditures) and auditors were pleased, then the process was working well from their professional perspective. Since the 1980s, however, we see signs that the mask is being lifted and the voting public, school-site leadership teams, and attentive lay persons are seeking more information -- in forms and terms that they can understand. Superintendents, also prisoners of the old "systems speak" of their finance process, are finding it more difficult to get state and local budgets and bond issues passed since their finance reports do not easily answer the following fundamental questions which the electorate often raised:

How much of the district's money is going into central office administration? How much is reaching the schools? the classroom? the pupils? How much reaches each and every school and classroom? What does it cost to "operate" and "manage" the school system as compared to funding instruction, counseling, coaching, and other student-related services? How much of the "new" allocated money gets to the students?

When local school administrators cannot answer these questions simply, credibly, and directly, the business community, the so-called "taxpayers' groups", and the growing "elderly voting population" sometimes become frustrated and vote against bond issues or school budget increases. Further, as school districts experiment with school-site management and shared decision making, teachers and other leadership team members request information on the district's expenditures for their school. But districts don't always have the fiscal data in a form that anyone outside the "inner circle" can understand.

Even insiders are confused by the overlapping categories, the state-by-state differences in terms and categories, and the failure of the school finance system to make real sense. Districts often suffer from too little relevant information about some things and an over-abundance of numbers on others. True, districts keep complete lists of all expenditures -- a thick print-out (fondly called the "green book" in one district). It lists each cost by item, source, object, function, and location code. But since the data are rarely displayed in a sympathetic manner, few outsider can interpret what it means for their school and their interest.

New Developments

Recently, led by Allan R. Odden and colleagues, however, a small number of scholars and researchers are calling for a revolution in school finance. Odden (1992) believes, as do others, that the *school* is the essential unit in education, not the district, not the state, and not the "central office." It is in schools and classrooms that most "intentional learning" occurs. Purkey and Smith (1985) further suggest that effective education is positively associated with school-based finance and management. The closer management practices are to pupils, the stronger the chances that good decisions are to be made (see Brown, 1990; Clune and White, 1988; Malen, Ogawa, and Kranz, 1990). Clune and White explained that "school-based management is a system designed to improve education by increasing the authority of actors at the school site" (1985, p. 4).

Odden, then, concludes "that education financing in the twenty-first century [if not sooner] should become primarily *school* rather than a *district* based" (1992, p. 328). But Odden and Pincus (1992) also admit that inadequate financial models currently exist for accounting for resources at schools and classrooms:

> Inter district resource allocation has dominated the study of school finance for years. But there is insufficient information on how to put dollars to productive use in districts, schools and classrooms. Indeed, there is considerable misinformation about how schools use their money. Former U.S. Secretary of Education William Bennett implied [some say, insisted] that too much money was used for administration; he popularized the term the "administrative blob" (p. 256)

Wohlstetter and Buffett (1992) pose the problems somewhat differently: while school districts are experimenting with decentralized decision-making, "little has been written on the financial dimensions of school-based management" (1992, p. 129).

Three problems arise in trying to build a model that captures school-site and classroom allocation costs within a public school system. First, a school-site allocations model should be constructed and tested to see whether it works in a variety of school districts and states with varying finance systems. Second, school districts should be encouraged to try the model, using their own existing financial systems, to see if the data are useful for determining and improving district expenditure patterns. And third, state departments of education and other state and federal authorities should match the school-site allocations system to the state's auditing and accountability system -- to see if, in fact, the site-based model can work within and across districts. Hence, data need to be both specific to each school and instructional program *and* to other districts for comparison. It should be both a school-by-school information source and a cross-school, cross-district basis of comparison.

The Research

This paper presents both the process of creating and testing a new model of school micro-finance and means of analyzing the **accuracy** of district and school-site expenditures, the **efficiency** of resource use, and the **productivity** of schools in positively affecting student attainment. The development process began with a single question: How much money was reaching the classroom for instruction in New York City (Cooper and Sarrel, 1991; Weschler, 1990). By analyzing unit allocations to the 116 New York City high schools, a primitive first "model" was developed and tested. This "cascade" analysis gained some recognition but was limited. It failed to account for the $11 million not reaching the school. It did not take into account the 900 other schools, (elementary, middle, alternative etc.) nor many of the "central office" costs.

Building the School-Site Allocations Model (SSAM)

This analysis is based on a set of assumptions, which are also being tested. First, and fundamentally, the funding of education follows the basic structure of school systems. Thus, to understanding how money is allocated and used, we must begin with how school districts are configured and the functions that occur at each level. While this is hardly the place to detail the history of school district development–from single schools operated by charitable groups, societies, and community groups, through "clusters" of schools, through the formal arrangements that are now standard practice – it is essential to begin with the basic structure which has become common in almost all of the nation's 15,430 local education authorities (school districts). The few exceptions may be single schools, even one-classroom "districts," which are now so rare as to be novelties.

Furthermore, most all school districts have a somewhat similar structure and "divisions of labor." School buildings house teachers who instruct students, the *core technology* of education, and a "central office" which contains managers, supervisors, and administrators who plan and help to operate the system. Even where the management function is physically located in a school building and even if the school superintendent, the chief education officer, is also the high school principal, the functional division between the management "subsystem" and the "production" or "core technology" of educating children is maintained. As Henry Mintzberg determined, "We end up with an organization that consists of a core of operators [i.e., teachers], who do the basic work of producing the products and services, and an administrative component of managers and analysts, who take some of the responsibility for coordinating their work" (Mintzberg, 1987, p. 19). In general, as Figure 1 shows, the upper parts of the system perform a coordinating, planning, and support function while the lower parts perform the actual core operations (producing goods, services). Mintzberg includes five basic functions in his depiction of

Figure 1
THE FIVE BASIC PARTS OF ORGANIZATIONS

1. Strategic Apex
Center for top managerial decision-making
Allocation of resources and setting priorities

2. Technostructure
Information flow.
Controls and communications

3. Middle Line
Direct lines of authority

4. Support Staff
Personnel development
Support, training, induction

5. OPERATING CORE
Center for production of goods and services
Delivery of products or services.
Core technology and practices.

Source: Henry Mintzberg, *The Structuring of Organizations: A Synthesis of the Research.* Englewood Cliffs, New Jersey: Prentice-Hall (1987).

organizations. The Strategic Apex rests on three main functions, the Technostructure which does the planning, analysis, and training and sets and maintains standards and controls; the Support Staff who provide direct services to central office and production units; and the Middle Line, those in the "chain of command," the first line supervisors who control the sub-units of the organization. In all, as Mintzberg concludes, "Organizations have always had operators and top managers, people who do the basic work and people to hold the whole system together" (p. 34).

The School System

School districts resemble other large organizations. The Core Technology (e.g., teaching and learning) takes place in the school building while the major Strategic Apex (managing and governing) is usually located in a Central Office of some sort, as Mintzberg explains. Figure 2 shows the various sub-systems, including the system level functions (planning,

Figure 2

Basic School District Functions

∞ SYSTEMS LEVEL:

- Management Sub-System
  - --Organization
  - --School Board
  - --Central and Regional Offices
  - --Control and Accountability
- Operations Sub-System
  - --Building, Facilities, Grounds
  - --Planning and Research
  - --Personnel
  - --Curriculum Development

∞ BUILDING LEVEL:

- School Sub-System
  - --Management
  - --Facilities and Grounds
  - --Staff Development
  - --Pupil Personnel Support
  - --Local School Culture and Context

∞ CLASSROOM LEVEL:

- Teaching Sub-System
  - --Teachers, Instruction (Teaching and Learning functions)
  - -- Materials, books, teaching aides, equipment, books

∞ PUPIL Sub-Culture

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personnel, facilities) and the building-level sub-systems, housing the classroom and the related instructional functions. Larger systems tend to rationalize this process, devoting offices and staff to each. Further, the need to coordinate, monitor, and control the various functions often requires a management-of-managers level, explaining the size and complexity of school district organization. Even in the smallest of district, someone is devoting part time to the "function" of managing and operating the "central office" functions.

The production units — in these cases, the *schools* (comparable to, in business, a marketing division, a factory, and sales office) — also have their own supervisors and administrative functions (principals' offices), controlled in part by a factory manager, sales director, vice president for marketing and development, or a school building principal. Thus, it comes as no surprise in school districts that the superintendent and the principals are performing similar and related functions: coordinating, directing, making decisions, motivating, though their purview and span of control will be different.

A school district, then, has a central office function and a school building function, operating somewhat separately but being part of the same system. It is important in tracking resources from the "top" of the system to the school and classroom to determine whether funds are being spent centrally or de-centrally (schools). School districts for convenience of accounting sometimes assign staff to the Board but who actually work in schools. For example, in one large district, the transportation, food services, school security, and curriculum development were all accounted for centrally even though these services were in large part school-based. Conversely, staff from schools may be assigned to the central office to write curriculum or do staff development, and their salaries and fringe benefits are charged off against the school's expenses. Whatever the case, it is essential that costs be accurately attributed to where they are expended, to give a real picture of the financial costs of running each unit.

Functions

So far, we have looked at the school system as a structure, but they also within these organizational arrangements, certain functions are presumably performed. In fact, we shall argue that district office and school perform complementary, even common, functions, separated mainly by their location and the scope of their concerns.

***Function A.* Administration-Management**. Like the Strategic Apex discussed by Mintzberg, this function, whether in the superintendent's or the principal's offices, sets the goals, direction, and other key decis ons, motivates staff, hires, evaluates, fires, deals with crisis, and concerns itself with the surrounding environment.

***Function B.* Building Support.** Schools and central offices require direct maintenance. These facilities must have cleaning, lighting , heating, water, gas, and renovation. Buses and other heavy equipment, stadiums, ice hockey rinks, and other hardware, infrastructure, and materials must be purchases, maintained, stored, and transported. This function combines both capital goods (buildings, buses, heating equipment etc.) and the resources necessary to operate, clean, repair, and improve them. Hence, Function B includes both facilities and operations at both the Central and School levels.

***Function D.* Pupil Support.** Students need support outside the classroom and beyond their academic instruction. They will require guidance counseling, help in the media center or library, college advising, or perhaps some psychological testing or participate in a range of extra-curricular activities, clubs, sports, drama and yearbook. This function may be operated out of the district office although these functions must meet the child in the school.

Function E. **Direct Classroom Instruction** . The core technology of education is teaching and learning which generally occurs in the school and classroom. This function often includes teachers, teacher aides, or paraprofessionals, as well as materials, computers, books, and disposable materials that are used with students in the classroom setting. At the central office, some staff may also be preparing materials for children to use: curriculum, programs, art work, tests, and other instructional support. Together, the classroom teacher and the curriculum writer provide the resources around which school instruct and pupils learn.

ANALYSIS PROCEDURES

Implementing the School Site Allocations Model

The process of analysis, as tested in 28 school systems, takes several steps. First, the School Site Allocations Model requires determining the "location" of costs, between those which are "central" and those that are "school"-based. Second, the Model requires that districts attribute these expenditures to the function that they fulfill at central and school. Then, data are aggregated, analyzed, and applied.

- **LOCATION:** The model takes as its first step the separation of "school" from "central" costs, based on where the expenditures are incurred, not where the accounting office keeps them. The costs of staff who divide themselves between working at the central office and doing workshops, lessons, teaching, teacher training and other activities in the schools are proportionately allotted to several sites and jobs.

- **FUNCTION:** Next, once resources are attributed to the correct site, some determination of their function is necessary. The model creates five functions divided by where they occur: administration, operation and facilities, staff support, pupil support, and instruction. See Figure 3. Once these five functions are separated by Central versus School, the model is as follows:

Figure 3

The Allocation Model

CENTRAL OFFICE:	*SCHOOL SITE:*
FUNCTION A--ADMINISTRATION --Superintendent, staff, offices, supervisors, directors, including salaries plus fringe benefits	**Function a--Administration** -- Principal, assistants, secretaries -- Office expenses, salaries plus fringe benefits
Central Office: **FUNCTION B--FACILITIES and OPERATIONS** --Central office buildings, lights, heat, air conditioning, repairs, maintenance upkeep, plus the cost of coordinating and running the facilities and operations. Salaries and fringe for Operations management staff at Central	***School Site:*** **Function b--Facilities and Operations** --School site building costs, including utilities, repairs and custodial costs, bus services, food services.
Central Office: **FUNCTION C-- STAFF SUPPORT & DEVELOPMENT** --Planning, coordinating and directing the teacher in-service education, staff training director and staff, who work the Central Office.	***School Site:*** **Function c--Staff Support Development** -- Delivery of school-site staff development, mentoring, coaching, sabbatical leave, out of other teacher support efforts.
Central Office: **FUNCTION D-- PUPIL SUPPORT** --Coordination and direction of student support function. Salaries and fringes, office and secretary for the Pupil Personnel and support functions, psychologists and others who direct and coordinate student services.	***School Site:*** **Function d--Pupil Support** **--Direct Services to students** --Out-of-classroom student support, including school guidance counselors, media and library staff, coaches, club leaders, and others who work with students. Salaries and fringe benefits, plus offices.
Central Office: **FUNCTION E--INSTRUCTION** --Coordinators and directors of instructional program, who provide services to teachers in their classes. Costs of supporting instruction--such screening textbooks, writing tests and materials.	***School Site:*** **Function e--Classroom Instruction** --Teachers' salaries and fringe for work done in classroom. Other classroom staff costs, including teaching aides, paraprofessionals; Textbooks, materials, computers used in classrooms; paper, chalk and other disposable materials

These five functions -- **Administration, Operations, Staff Development, Pupil Support,** and **Instruction** -- are hardly new; in fact, they were constructed to fit the functions of school systems, schools, and classrooms as now organized. Further, the setting of these functions in both the Central Office and the School Site was believed to show that Central Administration and School-Site Administration, for example, were in mutual support.

The lettering is also useful, with BIG **A ADMINISTRATION** occurring at the Central office, and Little **a, administration,** at the school site. Together, Levels **A + a,** comprise the administrative function for the system, permitting a District-wide measure of "administration" generally, Central Office Administration, and School-Site costs, together and for EACH separate school and program.

TESTING the MODEL

The SSAM, with its ten functions, was tested in eight school districts all across the nation (called the Lilly districts to maintain some confidentiality), followed by 15 more in Colorado, plus five more in Ohio, and two in New Jersey, for a total of 30 all across the nation. The research was also unusual. The study team worked with each district, teaching them the model and how to re-configure their charts of account to fit actual expenditures (NOT budgets) into the SSAM framework. We used their own management data base and information system (giving districts ownership of their own finance model and results).

The steps were straightforward. A total expenditure amount was calculated and agreed up, one based on actual costs during the last fiscal year, excluding any unrelated or inappropriate costs (capital costs, summer school, retirement incentive costs, fees for county treasurers' transfers, etc.). A total pupil population is figured out, including and excluding special education. A district-wide per-pupil cost figure was arrived at. The remaining expenditures from the district were then assigned to a location and category, item by item. Most districts had their costs on computer in a management information system and could use the identification codes to help aggregate the information to a function and a site (central board of a school).

Taking the identification code for a school, we divided up the costs as follows: the salary and fringe benefits of Principals and Assistant Principals were placed into Administration, Level **a**, at their schools. The school's custodian, ground maintenance, bus drivers, truck drivers, plumber, and electrician were placed into operations at Level **b**, as were the portion of the bus costs depending on the number of students being bused to school.

Teacher trainers, peer coaches, trips, and in-service education costs were placed in Level **c**, **Staff Development**, as was the principal's trip to a state administrator's staff development day. Guidance personnel, athletic coaches for intramural and inter-scholastic athletics, librarians, college advisor, senior play costs, equipment for sports and clubs, and other costs for services delivered to pupils OUTSIDE the classroom go into Level **d**, **Pupil Support.** Finally, all direct classroom costs were charged to Level **e**, **Instruction,** including teachers' salaries and fringes, equipment, chalk, teaching assistance, textbooks, pedagogical computers, student tests.

SAMPLE DISTRICTS

Table 1 indicates the first eight districts in which the Model was applied, ranging in size from about 6,500 pupils to almost 76 000, from districts with 11 schools to those with over 120 schools. All together, the Model has accounted for some $1.135 billion, to educate a total of 264,456 students in 425 schools. The per pupil costs in the year studied, 1990–1991, the last full year of data available at the time, ranged from a high of $7,899 per student overall in District II to a low of $3,024 per student in District I, with the average around $4,200 per student. District total expenditures were from a high of $340.876 million in District VII to $19.576 million in total in District A. Hence, the District that spent the most overall, District VII, was not the largest with 75,640 pupils: District VII hand a few more students (75,789) but spent less in total resources ($308.717 million). The per pupil cost was slightly higher in District VII at $4,507 while the biggest district, District VIII, spent slightly less at $4,073 per student.

TABLE 1
SAMPLE DISTRICT DATA
Enrollments, Total Expenditures, Per Pupil Expenditures, and Number of School, 1990–1991 by Enrollment (Size)

SCHOOL SITES	ENROLLMENT 1990-1991	TOTAL EXPENDITURES	PER PUPIL COSTS	SCHOOL NUMBERS
District I	6,473	$19.576 Million	$3,024	11
District II	7,483	$59.105 M	$7,899	14
District III	8,925	$43.846 M	$4,913	15
District IV	9,001	$45.481 M	$5,053	13
District V	12,261	$45.729 M	$3,730	21
District VI	67,140	$257.719 M	$3,839	121
District VII	75,640	$340.876 M	$4,507	109
District VIII	75,789	$308.717 M	$4,073	118
TOTAL	264,456 pupils	$1.135.226 Billion	$4,293 pupil average	425 schools

Modes of ANALYSIS

*I*n each of the 32 school systems where the SSAM was applied (though analysis is only completed on the eight above), expenditure data were configured in four ways to make full "cascade" analysis possible. First, the real aggregate dollars were displayed by location (school and central) and by function (administration, operations/facilities, staff support, pupil support, and instruction support). Second, at each school and central office, the costs by function were divided into the total expenditure at that site, to give an indication of what percentage of the school's or central's resources were going for what function.

Third, site, central, and district expenditures were then divided by the unit's enrollment (called "register," pupil size), to gain a Per Pupil cost for each function at each site and all together. And then, fourth, the per pupil costs for each unit and function were divided by the

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District-wide total per pupil cost, to gave a sense of how much of the per pupil expenditures went for each site and function. These four analyses allowed the following explorations, based on the ten districts (Lilly districts plus two in New Jersey).

Comparisons by location, function, type of school, and by "high" and "low" spending schools, function-by-function were performed. Then, several formulae for determining the "efficiency" of schools in delivering **Instruction** (Level **e**) and delivering the full students services (Level **d, Pupil Support, +** Level **e, Instruction** or (**d+e**) was created and tested. Each of the 422 schools in the Lily Sample were then assigned both a Student Instructional Ratio (SIR) and Student Services Ratio (SSR) coefficient.

We then tested to see the relationship between the use of funds and the levels of efficiency on both the SIR and SSR measures, and whether the size, type, District, or Socio-economic Status of each school was related to any degree to the resources reaching students. Some research exists, for example, that Elementary schools receive fewer resources than high schools, and that less is spent on lower-grade children in the classroom. This SSAM data base allowed us to build regression equations and to test the significance of these variables on school resource utilization.

Finally, as a pilot, we ran productivity tests to see if schools spending a higher percent in the Classroom at Level **e, Instruction,** had better test results. Using the standard SAT as one outcome, we could begin to build regression models to see how much of the variance in the y-variables, SAT results, can be accounted for using the SSAM data on dollars and percentage of resources in the classroom, Level **e.**

- - - from State-Centered to School-Centered Finance--the New ACCURACY

A series of questions framed this research, starting with how funds are dispersed between the central board of education and the schools, how the five functions break out at the two settings, how the costs differ by elementary, middle, and high school, and how individual schools and functions compare.

1. What proportion of funds are expended at the central and school sites, as compared to national averages?

A first step in the analysis was to divide central and school expenditures for the eight Lilly districts and the 15 Colorado districts to show the range and patterns. These data are gathered by combining all the five functional costs (administration, operations, staffs support, pupil support, and instruction) at all schools versus the five functions at the central office, permitting an exact measure of how much of the District's resources are being spent on central management and how much are expended in the district's schools.

The national averages for central and school site costs are difficult to ascertain since the categories are so vague. The National Center for Education Statistics in the *Digest of Educational Statistics* (1987), for example, reported that about 1.7 percent of the staff employed work "District Administration," although another category, "Support Staff," with nearly 32 percent of the employees, might include people working in the central office. Even the broadest categorization -- as between "Instruction," "Support Services," and "Non-Instructional" personnel -- do not locate these staff, making it impossible to track resources through the system to schools. While "Support Services" includes "general and school administration, operations and maintenance," amounting to 35.4 percent nationwide, another category, "Non-instructional," may also be some central office and school site people, amounting to 3.5 percent.

Table 2 shows the eight district ratios of resources spent in the Central Office and those in the Schools as a group. The first column shows the total dollars spent by each sample district for Central expenses along with the percentage of the District's funds. The range is from 20.43 percent of total district costs or $ 1,004 per student ($8.958 million) spent centrally in District III, through 14.50 percent ($1,116 per pupil or $ 8.571 million) in District II, to a low of 5.85 percent ($218 per student or a total of $ 2.670 million).

Table 2
Eight District Analysis of Central Office versus School Site Costs, Percentages, and Per Pupil Expenditures, 1990–1991

Districts	**Central Costs Dollars/Pupil (%)***		**School Costs Dollars/Pupil (%)***		**Total District Costs Dollars/Pupil (%)***	
District I	$ 2.19M (11.2%)	$338	$17.39M (88.8%)	$2686	$19.576M (100.0%)	$3024
District II	8.571M (14.5%)	1116	50.535M (85.5%)	6577	59.105M (100.0%)	7693
District III	8.958M (20.4%)	1004	34.888M (79.6%)	3909	43.846M (100.0%)	4913
District IV	4.123M (9.1%)	457	41.358M (91.0%)	4580	45.481M (100.0%)	5037
District V	2.670M (5.9%)	218	43.059M (94.1%)	3512	45.729M (100.0%)	3730
District VI	20.532M (8.0%)	306	237.187M (92.0%)	3533	257.718M (100.0%)	3839
District VII	41.344M (12.2%)	546	299.541M (87.9%)	3960	340.885M (100.0%)	4507
District VIII	35.393M (11.5%)	467	273.324M (88.5%)	3606	308.717M (100.0%)	4073

* Due to rounding, percentages found in Executive Summary may not equal 100 percent.

Conversely, District III had the lowest percentage of resources reaching the school sites among the Lilly Study districts at 79.57 percent or $3,909 per pupil. District V was the highest at 94.14 percent. The last two columns show the total expenditures for both

Table 3
COLORADO ANALYSIS
OF DISTRICT AND SCHOOL SITE COSTS IN PERCENT AND DOLLARS
1991

DESCRIPTION	Levels	DIST. I	DIST. II	DIST. III	DIST. IV	DIST. V	DIST. VI	DIST. VII
ADMINISTRATION	A	3.97%	2.51%	3.30%	5.19%	3.39%	3.74%	3.98%
BUILDING SUPPORT	B	2.49%	3.63%	0.80%	1.60%	2.10%	0.90%	1.82%
TEACHER SUPPORT	C	3.24%	0.39%	0.60%	0.21%	1.10%	1.60%	0.38%
PUPIL SUPPORT	D	0.82%	0.10%	2.49%	0.34%	1.06%	0.23%	0.82%
INSTRUCTION	E	2.91%	2.39%	0.00%	3.62%	0.94%	0.80%	0.43%
SUB TOTAL		13.42%	9.01%	7.19%	10.96%	8.59%	7.29%	7.43%
Administration	Levels a	8.60%	7.52%	7.38%	7.90%	6.42%	6.84%	7.34%
Building support	b	10.64%	18.96%	12.93%	11.98%	16.08%	13.60%	10.08%
Teacher support	c	0.08%	0.24%	0.95%	0.10%	0.11%	0.57%	1.87%
Pupil support	d	5.60%	8.62%	12.57%	4.85%	7.39%	6.82%	7.15%
Direct Instruction	e	61.65%	55.64%	58.99%	64.20%	61.41%	64.90%	66.12%
SUB TOTAL		86.58%	90.99%	92.81%	89.04%	91.41%	92.71%	92.57%
GRAND TOTAL		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
DOLLARS - MILLIONS								
ADMINISTRATION	Level A	$2.250m	$0.437m	$2.234m	$3.816m	$2.047m	$2.490m	$1.437m
BUILDING SUPPORT	B	1.410	0.631	0.539	1.181	1.269	0.600	0.657
TEACHER SUPPORT	C	1.834	0.067	0.404	0.156	0.665	1.067	0.138
PUPIL SUPPORT	D	0.462	0.017	1.687	0.247	0.638	0.153	0.295
INSTRUCTION	E	1.649	0.416	0.000	2.666	0.570	0.535	0.154
SUB TOTAL		$7.605m	$1.568m	$4.864m	$8.066m	$5.189m	$4.845m	$2.681m
Administration	Level a	$4.871m	$1.309m	$4.997m	$5.814m	$3.881m	$4.546m	$2.652m
Building support	b	6.029	3.299	8.751	8.818	9.716	9.041	3.640
Teacher support	c	0.048	0.041	0.643	0.073	0.068	0.376	0.677
Pupil support	d	3.175	1.499	8.506	3.572	4.463	4.534	2.583
Direct instruction	e	34.925	9.680	39.925	47.244	37.098	43.158	23.874
SUB TOTAL		$49.048m	$15.828m	$62.822m	$65.521m	$55.226m	$61.655m	$33.426m
GRAND TOTAL		$56.653m	$17.396m	$67.686m	$73.587m	$60.415m	$66.500m	$36.107m
PER PUPIL		$3,994	$3,972	$3,877	$4,141	$3,722	$4,379	$3,861

Table 3 (continued)

COLORADO ANALYSIS
OF DISTRICT AND SCHOOL SITE COSTS IN PERCENT AND DOLLARS
1991

	DIST. VIII	DIST. IX	DIST. X	DIST. XI	DIST. XII	DIST. XIII	IST. XIV	DIST. XV	STANDARD DEVIATION
A	6.19%	4.57%	3.90%	4.35%	4.02%	5.66	2.59%	1.35%	1.20%
B	3.69%	1.38%	1.28%	1.14%	1.57%	3.42%	4.55%	3.92%	1.19%
C	1.01%	0.67%	0.28%	0.20%	0.91%	0.23%	0.60%	0.44%	0.76%
D	1.18%	0.00%	0.45%	1.23%	1.28%	2.74%	1.54%	1.56%	0.78%
E	1.11%	0.63%	0.32%	1.67%	1.88%	17.25%	1.35%	0.30%	4.10%
	13.18%	7.25%	6.22%	8.60%	9.64%	29.31%	10.63%	7.57%	5.47%
a	6.46%	8.08%	7.30%	7.34%	5.68%	6.50%	7.30%	9.58%	0.93%
b	11.38%	18.46%	16.59%	11.08%	10.31%	7.76%	11.21%	11.47%	3.16%
c	1.18%	1.02%	3.25%	0.21%	0.00%	0.07%	0.25%	0.33%	0.86%
d	13.86%	11.34%	5.07%	7.38%	10.74%	5.55%	9.57%	6.64%	2.72%
e	53.95%	53.85%	61.58%	65.39%	63.63%	50.81%	61.03%	64.41%	4.65%
	86.82%	92.75%	93.78%	91.40%	90.36%	70.69%	89.37%	92.43%	5.47%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
A	$2.594m.	$0.688m	$2.149m.	$4.961	$5.805m.	$6.207m.	$1.146	$1.137	$1.733
B	1.544	0.208	0.704	1.304	2.264	3.753	2,014	3.289	0.991
C	0.422	0.101	0.155	0.232	1.311	0.255	0.265	0.371	0.498
D	0.494	0.000	0.246	1.398	1.846	3.002	0,680	1.308	0.821
E	0.466	0.095	0.175	1.906	2.710	18.906	0.599	0.249	4.584
	$5.520m	$1.092m	$3.429m.	$9.801m	$13.936m.	$32.123m.	$4.704m	$6.354m.	$7.311m.
a	2.705	1.217	4.024	8.369	8.208	7.123	3.230	8.044	2.299
b	4.766	2.780	9.151	12.623	14.894	8.508	4.959	9.625	3.362
c	0.496	0.153	1.790	0.240	0.007	0.077	0.111	0.273	0.442
d	5.807	1.708	2.795	8.408	15.514	6.080	1.235	5.573	3.426
e	22.600	6.110	33.964	74.522	91.956	55.687	26.999	54.056	21.810
	$36.374m.	$13.968m	$51.724m	$104.162m.	$130.579m.	$77.475m.	$59.534m	77.571	$30.011m
	$41.894m.	$15.060m	$55.153m	$113.963m	$144.515m	$109.598m	$64.238m	$83.925m	
	$3,651	5,857	$4,202	$3,899	$5,152	$4,232	$4,167	$4,240	

Central and School in million, percentages, and per pupil costs. The Colorado data show somewhat similar trends. However, the highest percentage at Central (LEVELS **A--E**) was District IX with 29.31 percent and the lowest was 6.22 percent at District X in Table 3.

These findings dispel the commonly held conception that a large percentage of district costs go into running the central office. Among the 23 districts reported so thus, around 87 to 90 percent of costs were used in the schools for all functions. While the "blob" may be a problem in some districts, these showed that between 80 percent to 94 percent reached the school buildings, though we need further analysis to see how much of those resources were used for direct services to students.

2. How were Central and School Site costs distributed among the five functions, as compared to national averages?

The Model breaks out the costs among functions by site, to give a picture of where the resources are going. In Table 3, Colorado, the data are presented by school system or district and function, with rows 1 to 5 at the Central Office and rows 7 to 11 at the School Sites.

ADMINISTRATION:

- **LEVEL A-- Central Administration:** The data indicate that about 3 to 4 percent of the districts total costs are accrued for Central office Administration (Superintendent, assistants, offices, legal, finance, management information, personnel, contracts etc.), though the outliers in the Colorado study run from 1.35 percent in District XV up to 6.19 percent in District VIII. The Lilly Districts ran from about 9.71 percent in District III to 2.6 percent in District IV. In per pupil costs, which are influenced by the overall level of spending, went from $75 per student (District VI to $ 600 per student, though the latter system had a high per pupil expenditure overall of $7,693 per pupil while the low district spent $3,024 total per student.

Table 4

Eight District Analysis of Central Office and School Site Data by Function in Per Pupil Costs and Percentages 1990–1991

Districts Per Pupil	A/a Admin.	B/b Operation	C/c Teacher Support	D/d Student Support	E/e Instruction
I ($3,024) PER PUPIL					
Central	$176 (5.8%)	$90 (3.0%)	$40 (1.3%)	$24 (0.8%)	$8 (0.3%)
Schools	$287 (9.5%)	$293 (9.7%)	$20 (0.7%)	$258 (8.5%)	$1,829 (60.4%)
II ($7,693) PER PUPIL					
Central	$600 (7.8%)	$71 (0.9%)	$172 (2.2%)	$37 (0.5%)	$236 (3.1%)
Schools	$492 (6.4%)	$914 (11.9%)	$26 (0.3%)	$572 (7.4%)	$4,573 (59.5%)
III ($4,913) PER PUPIL					
Central	$477 (9.7%)	$104 (2.1%)	$180 (3.7%)	$85 (1.7%)	$157 (3.2%)
Schools	$363 (7.4%)	$500 (10.2%)	$68 (1.4%)	$290 (5.9%)	$2,668 (54.7%)
IV ($5,037) PER PUPIL					
Central	$133 (2.6%)	$54 (1.1%)	$129 (2.6%)	$115 (2.3%)	$26 (0.5%)
Schools	$295 (5.9%)	$538 (10.7%)	$15 (0.3%)	$694 (13.8%)	$3,038 (60.3%)
V ($3,730) PER PUPIL					
Central	$134 (3.6%)	$41 (1.1%)	$9 (0.3%)	$27 (0.7%)	$7 (0.2%)
Schools	$169 (4.5%)	$692 (18.5%)	$36 (1.5%)	$241 (6.5%)	$2,354 (63.1%)
VI ($3,839) PER PUPIL					
Central	$75 (2.0%)	$122 (3.2%)	$9 (0.2%)	$14 (0.4%)	$86 (2.2%)
Schools	$231 (6.0%)	$546 (22.0%)	$26 (0.7%)	$224 (5.8%)	$2,206 (57.5%)
VII ($4,507) PER PUPIL					
Central	$284 (6.3%)	$116 (2.6%)	$115 (2.6%)	$21 (0.5%)	$10 (0.2%)
Schools	$362 (8.0%)	$466 (10.3%)	$9 (0.2%)	$338 (7.5%)	$2,785 (61.8%)
VIII ($4,073) PER PUPIL					
Central	$156 (3.8%)	$103 (2.5%)	$62 (1.5%)	$78 (1.9%)	$69 (1.7%)
Schools	$285 (7.0%)	$367 (9.0%)	$0 (0.0%)	$464 (11.4%)	$2,490 (61.1%)

- **Level a-- School-site Administration:** School-site costs for Administration, including the principal and assistants' salaries and fringe benefits, office secretary, supplies, telephone, duplicating, mailing, computer for management, were obviously higher than the Central office management, since all the schools were included. Row 7 of Colorado Table 2 indicates that the typical district spends around 7 to 8 percent of its resources administering the schools, though the range is from a low of 5.68 percent in District XII to a high in District XV of 9.58 percent. The eight Lilly districts show a similar range, from 9.52 percent or $287 per student in District I to 4.53 percent or $169 per student for School-Site Administration, Level **a**, in District V.

- **LEVELS A+a (Central plus School) Administration:** Taken together, Levels **A+a** provide data on the total costs of running the institutions in the District: the schools and Central office. About 11 to 12 percent of the Colorado districts' expenditures were purely administrative, meaning that the whole system was managed for between 10 and 13 percent. The Lilly study, being more national in scope, picked up a greater variety of Administrative costs, with a low of about 8 percent in District V to a high of 17.1 percent in District III. Hence, the extremes are greater in the wider sample. Again, even when the school and district management expenditures are combined, the Model does not point up vast sums going into administration.

The *Digest of Educational Statistics* (1989) presents "Administration" [located somewhere in the system] at about 4.4 percent in 1980 compared to 3.4 percent in 1930. By our study, this 4.4 level seems low but it is difficult to tell if its the year, 1989 versus 1992-1992 when our data were gathered or whether the definition of "Administration" is different. The data in this micro-financial study were gathered by aggregating all school-site costs to get the general Level **a** based on the real costs of managing the Central and all school sites.

BUILDINGS and OPERATIONS

- **LEVEL B--Central Operations and Facilities:** The sample Lilly districts expended about 2 percent (1.8%, as shown in Table 4, column 2) of the costs on housing the Central office and supervising the buses, buildings, and other infrastructure functions, with District F at the top with 6.31 percent and District B, the lowest, at 0.89 percent of its per pupil costs. The range in the Colorado districts for Central operations 4.55 percent in District XIV to a low of .80 percent in District III. In per pupil dollars, the Lilly districts cost between $122 per student in District VI to $41 per student in District V for Central Office facilities and operations. Hence, the Central Office facilities were rather moderate in cost in the districts at Central but ran somewhat higher at the school sites, Level **b,** as we shall see below.

- **Level b--School Site Operations and Facilities:** The cost of running, maintaining, and servicing the **School Sites** showed a much greater variability than did Administration or **Central** facilities costs. In the 15 Colorado Districts, for example, the range was from a high of 18.96 percent and 18.46 percent in Districts II and IX respectively, making it the second largest expense in the system outside of Instruction, to the low of 7.76 percent in District XIII for School-site Operations.

In the Lilly national data set, the average was 12.66 percent, with the high being 22.04 percent in District VI and 9.00 in District VIII. The per pupil costs in the schools for building support and busing services was an average of $629 per student, although the range is $992 per pupil at the high end in District V to a low of $293 per pupil in District I. Overall, then, the cost in the Lilly districts for both Central and School Site operations and facilities was 14.49 percent or on average about $722 per student.

Cutting costs in the operation of buildings can be useful, since it often involves better building use, husbanding of electricity, heat, water, gas, and bus travel. Reducing the cost of facilities can mean savings and more money for instruction, without eliminating jobs or major restructuring. A contest between schools, corridors, programs to save utilities can be fun, and the reward can be more discretionary money for programs, materials, texts and other pedagogical uses. Students can (and should) learn to turn off lights, close doors, pull down shades to keep the sun out on hot days, turn down thermostats when leaving rooms--good habits that save money at Level **b, Operations and Buildings.**

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STAFF DEVELOPMENT

LEVELS C and c (Staff Support) at Central and Schools. The investment in staff training, in-service education, and other forms of professional development tend to be small in education, since teachers often pay for their own graduate work. The Model confirms that finding, with a high in Colorado in District X of 3.25 percent of per pupil costs but the typical school-site training amounts to about 1.5 percent. At Central, the high was 1.60 percent in District VI, and the low in District XI of 0.20 percent. The Lilly districts are also low, from 0% in District VIII at the School Sites but 1.52 percent at Central (most of the training is centrally handled), to a high in District III which has 3.67 percent at Central for training and 1.40 in the schools, for a total of 5.07 percent, the highest in Lilly.

PUPIL SUPPORT

- **LEVEL D--Central Office Student Support.** Most districts have a pupil personnel office in the central office to keep records, coordinate referrals and treatment, and handle guidance and other students assistance. In the Lilly districts, pupil support at Central was small, ranging from 1.91 percent at District H to a low of .28 percent in District IV. The per pupil cost were also small, running from $14 per student in District F to $115 per student in District III. The average was about $52 per student to coordinate students services. In Colorado, similarly, the range is from 2.74 percent in District XIII to a low centrally in District II with .10 percent.

- **Level d--School Site Student Support.** This function is the direct delivery of services to students in the library, guidance suite, playing field, media center, club room, yearbook office. In Colorado, the percentages ran from an average of 13.86 percent in District VIII to a low of 4.85 percent in District IV. The Lilly sample recorded a high of 13.94 percent in District III to 5.83 percent in District VI, showing near parallels to Colorado data. The per pupil costs in ran from $705 per student for student support in District III to only $224 in District V. The average per pupil costs in the eight Lilly districts school districts was $465 per pupil which reached $516 per student when totaled between Central ($52 per student) and School Site ($465 per pupil).

As the pressure on schools increases to provide a wider range of services, one can predict that Level **d** will grow, as will the supervision of it at LEVEL **D.**

INSTRUCTION

National data on classroom instructional costs indicate (see Figure 10.1 in Odden) that 61.1 percent of expenditures in 1987 went for "Instruction." California, according to Guthrie, Kirst, and Odden (1990), spent 63 percent of school expenditures in the classroom, with a breakout by sub-costs for teachers, aides, and specialists -- although they also include 5% for pupil services support which the SSAM model attributes to Pupil Support not classroom instruction. No data are indicated or analyzed by individual school.

Table 10.1

Current Expenditures in Millions for USA and Selected States, 1987 (Odden, 1992, p. 1259).

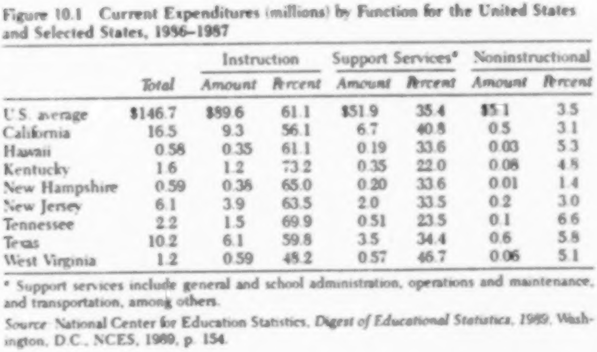


Figure 10.1 Current Expenditures (millions) by Function for the United States and Selected States, 1986–1987

		Instruction		Support Services*		Noninstructional	
	Total	*Amount*	*Percent*	*Amount*	*Percent*	*Amount*	*Percent*
U.S. average	$146.7	$89.6	61.1	$51.9	35.4	$5.1	3.5
California	16.5	9.3	56.1	6.7	40.8	0.5	3.1
Hawaii	0.58	0.35	61.1	0.19	33.6	0.03	5.3
Kentucky	1.6	1.2	73.2	0.35	22.0	0.08	4.8
New Hampshire	0.59	0.38	65.0	0.20	33.6	0.01	1.4
New Jersey	6.1	3.9	63.5	2.0	33.5	0.2	3.0
Tennessee	2.2	1.5	69.9	0.51	23.5	0.1	6.6
Texas	10.2	6.1	59.8	3.5	34.4	0.6	5.8
West Virginia	1.2	0.59	48.2	0.57	46.7	0.06	5.1

* Support services include general and school administration, operations and maintenance, and transportation, among others.

Source: National Center for Education Statistics, *Digest of Educational Statistics, 1989,* Washington, D.C., NCES, 1989, p. 154.

• **LEVEL E--Central Office Instructional Support:** Districts in this study spent very little on Central office support services, vesting most of their instructional resources in the schools. In the Lilly districts, District II indicated spending 4.25 percent or $344 per student on central office support (curriculum and test development, writing handbooks and developing materials for use in classes by teachers and students. Colorado showed a similar range, from zero percent in District III to a high of 2.91 percent in District I.

•• **Level e-- School Site. Direct Classroom Instruction:** Remarkably, the data on resources reaching the classroom in Colorado and the Lilly districts was very similar to national studies and California, with all being between 66.12 percent in District VII in Colorado data to a low of 50.81 percent. Lilly averaged 59.86 percent, right at 61.11 percent when the Central Big **E** is added in. The range was from 63.33 percent in District VI to 54.71 percent in District VI. Interestingly, District VI spent the most on Buildings and Facilities (Level **b**) at 22.04 percent and among the least on Instruction (Level **e**) at 57.48 percent. The per pupil costs in the Lilly districts shows a high of $4,715 per student in District II, and a low of $1,828 per student in District I, a district which spent a low amount in the schools all together ($2,686 per student) compared to the average of $4,504 per student in school-site spending.

Overcoming the Tyranny of the Average

Charles Benson used to explain the problem of depending on average costs since they mask diversity. He asked, "If I have my left foot in boiling water and my right in iced water, why am I not feeling *on average* very good?" The micro-finance Model confirms the "average" costs often gathered in other studies, although, unlike many other approaches, the SSAM also has the capacity to break out costs by school type and by individual schools and sites.

3. **How do total and functional costs vary by Elementary, Middle, and High Schools?** The data gathered in these 25 districts indicate that Elementary schools as a type receive less resources and therefore have less in the classroom proportionately.

Table 5 shows the eight Lilly districts with the per pupil and percent of total per pupil costs spent by type. The average reaching all schools regardless of type or level ranged between a high of 94.2 percent in District V, which is a relatively low-per pupil district at $3,730 per student overall expenditures, to a low of 85.49 percent in District II and 85.53 percent in District VIII.

Taking the average as the baseline, we see that Elementary Schools in every case received below the average percent of total per pupil and well below the secondary school percentages. In District III (see Table 5), for example, the Average of all schools received $3,909 per pupil or 79.6 percent of the total district per pupil cost. Elementary schools, top line of Table III, received almost 26 percent less at $2,638 or 53.7 percent (79.6% - 53.7% = 25.8%) Furthermore, the differences between Elementary Schools and

TABLE 5
EIGHT DISTRICT DATA ON Funding by School Type or Level: Per Pupil and as Percent of Total District-wide Average, 1991-1992

Site Total Per Pupil	Level	School Site Per Pupil	Percent of Total Per Pupil	Site Total Per Pupil	Level	School Site Per Pupil	Percent of Total Per Pupil
I	Elementary	$ 2439	50.7%	V	Elementary	3004	80.5%
	Middle	2626	86.8%		Middle	3455	92.6%
[illegible]	Secondary	3338	110.4%	$3730	Secondary	4366	117.1%
	All Schools	2686	88.8%		All Schools	3512	94.2%
II	Elementary	5681	73.9%	VI	Elementary	3068	79.9%
	Middle	N/A	N/A		Middle	3907	101.8%
$7693	Secondary	9027	117.3%	$3839	Secondary	3829	99.7%
	All Schools	6577	85.5%		All Schools	3533	92.0%
III	Elementary	2638	53.7%	VII	Elementary	3717	82.5%
	Middle	3909	79.6%		Middle	4030	89.4%
$4913	Secondary	5051	102.8%	$4517	Secondary	4359	96.7%
	All Schools	3909	79.6%		All Schools	3960	87.9%
IV	Elementary	4016	79.7%	VIII	Elementary	3179	78.1%
	Middle	5310	105.4%		Middle	3920	96.2%
$5037	Secondary	5530	109.8%	$4073	Secondary	4266	104.7%
	All Schools	4580	90.9%		All Schools	3486	85.5%

High Schools in District III was 102.8 percent or $5,051 per pupil at the Senior High level and, again, $2,638 per student or 53.7 percent at the Elementary Schools taken together. The difference then was $2,413 per student between High School and Elementary or 49.1 percent. The Middle Schools in District III were in between, at $3,909 which was exactly the District average of what reached the school.

In other Districts, too, the types of schools were graphically different. The highest to reach the Elementary Schools occurred in District VII at 82.5 percent while the High Schools in the same district received 96.7 percent (the District lowest percentage to secondary schools) and Middle Schools 89.4 percent. Districts II and V had the most percentage points reaching the High Schools at 117.3 percent and 117.1 percent respectively. The Model also permits tracking resources to each function within each type of school: Administration in Elementary, Middle, and High Schools; Operations in each and so forth.

Thus, despite all the discussion and policies concerning earlier intervention and more resources reaching younger children to prevent the development of life-long problems (lack of reading and mathematics accomplishments in the lower grades), these data based on the SSAM model show up the wide differences *within the same district* in resources being spent in Elementary, Middle, and High Schools in all eight of the Lilly districts across the nation.

INDIVIDUAL SCHOOLS and Functions

The SSAM was designed to track resources to the classroom in each school. Hence, this section of the study is critical to be able to located the costs in each school in a system. One way to present the school-by-school data is to isolate the "high" and "low" school functions within a system and to analyze the "outliers." Table 6 indicates the application of the SSAM to the location of extreme examples of school site expenditures, as well as averages, when resources were tracked through the school systems and into the schools, from the schools to the classroom. The School data are accurate and real; the names given the schools are changed to preserve some anonymity However, these schools are located in a Colorado district

Table 6
High and Low School Per Pupil Expenditures Showing ("Outliers") by Type and Function, with Average Expenditures, 1991 Colorado District

(Total Per Pupil: $4,141; Total Spent: $73.558 million)

SCHOOL SITE: FUNCTION:	I. Per Pupil	II. Percent of School	III. Percent of District
a. ADMINISTRATION:			(Total $4,141 per pupil)
HIGH:			
Lakes Elem School	$699 per pupil	14.62 %	16.88 %
Wellingford Jr High School	$669 " "	11.57 %	16.88 %
Century Senior High School	$1075	13.75 %	25.96 %
...... **AVERAGE:**	**$292 " "**	**7.99 %**	**7.05 %**
LOW			
Travel Elem Bennetton El Sch		$196	6.15 % 4.73 %
Black Junior High School	$253	6.61 %	6.11 %
Westside Senior High School	$385	8.96 %	9.30 %
b. BUILDING SUPPORT			
HIGH:			
Lakes Elem Sch	$766 per pupil	9.82 %	18.50 %
Wellingford Jr High School	$1,056 " "	18.27 %	25.50 %
Century Sr High School	$788	9.87 %	9.87 %
...... **AVERAGE:**	**$496 " "**	**13.59 %**	**11.99 %**
LOW: Shepard Elem School	$228	5.51 %	7.54%
Lesser Jr High School	$392	11.03 %	9.47 %
Mountain Sr High Sch	$618	14.85 %	14.92 %
d. PUPIL SUPPORT			
HIGH: Oleander El School	$206" "	5.56 %	4.77 %
Wellingford Junior High School	$378	6.54 %	9.13 %
Century Senior High Sch	$1,082	13.56 %	26.13 %
...... **AVERAGE:**	**$201 " "**	**5.50 %**	**4.86 %**
LOW:			
Lake Element and Nevermore Elem School	$46	1.00 %	1.11 %
Webster Junior High School	$198	5.10 %	4.78 %
MOUNTAIN Sr High Sch	$276	6.62 %	6.67 %

Table 6 (continued)

SCHOOL SITE: FUNCTION:	I. Per Pupil	II. Percent of School	III. Percent of District ($4,141 per pupil)
e. INSTRUCTION			
HIGH:			
Canyon Elemen School	$6,799 per pupil	87.00 %	164.19 %
Wellingford Jr High School	$3,674 " "	63.56 %	64.24 %
Century High School	$5,002	62.67 %	120.79 %
........-AVERAGE:	**$2,660 " "**	**72.81%**	**64.22 %**
LOW: Johnstone Elem School	$ 2,165	70.51 %	52.28 %
Lark Jr High School	$2,578	72.51 %	62.26 %
Coalson Senior High School	$2,682	71.50 %	64.77 %
d/e. PUPIL SUPPORT + INSTRUCTION			
HIGH:			
Canyon Elem School	$6,846 per pupil	86.32 %	162.91 %
Wellingford Jr High School	$4,052 " "	70.09 %	97.85 %
Century Senior High School	$6,084	76.23 %	146.92 %
......-**AVERAGE:**	**$2,861 " "**	**78.31 %**	**69.09 %**
LOW: Johnstone Elem Sch	$2,303	74.99 %	55.61 %
Lesson Junior High School	$2,834	79.72 %	68.44 %
Coalson Senior High Sch	$3,093	74.69 %	77.29 %
TOTAL: (a thru e)			
HIGH: Canyon El Sch	$7,815 per pupil	100%	188.72 %
Wellingford Junior High School	$5,781 " "	100 %	139.60 %
Century Senior High Sch	$7,981		190.56 %
.......-**AVERAGE:**	**$3,653**	**100%**	**88.22 %**
LOW: West Elem School	$2,880	100%	69.55 %
Lesson Junior High School	$3,555	100 %	85.85 %
Coalson Sr High School	$4,003	100%	96.67 %

The data are presented by function, Levels **a, b, c, d, e,** and **d+e,** and Total, separated by the High and the Low outlier for each school type. Hence, as shown in Table 6, Level **a, Administration,** indicates that Lakes Elementary School spent the most for Elementary Schools at $699 per pupil for administration, which was almost 15 percent of the money in that school and 16.88 percent of the District-wide average of $4,141 per pupil.

WellingfordJunior High spent $669 or 11.57 percent of school costs and 16.16 percent of the District cost average. Century Senior High was the highest by individual schools in School-Site Administration, at $1,075 per student, 13.75 percent of the School-Site costs and 25.96 percent of the District per pupil costs ($4,141 per student).

The average for the School-site administration, Level **a**, was $292 or 7.05 percent, with the lowest per pupil costs for this function at both Travel and Bennetton Elementary at $196 per student which was only 4.73 percent of District wide average costs per pupil. Black Junior High was low by this category of school at $252 per student and West Senior High spent only $385 per student on Administration while the "high" outlier High School was $690 per pupil above.

The "outlier"s for **Operations and Facilities**, Level **b**, were also fairly extreme. At the high end, Lake Elementary spent $766 (18.5 percent of district average as shown in Table 6, column III), Wellingford Jr. High was highest in the whole District per pupil at $1,056 per student or 25.5 percent of District and 18.27 percent of the resources spent in the school. With the average at $496 per pupil or 11.99 percent of District costs per pupil, three schools are the "low outliers," Shepard at $228 or 7.5 percent of District per capita costs, Lesser Junior High at $392 per student or 9.47 percent, and Mountain Senior High at $619 per student or 14.92 percent.

This model alerts district leaders to the high cost of running Lakes Elementary, for example, because it spent almost 17 percent of the Districtwide average per pupil cost ($4,141 per student) on Administration and 18.5 percent for Level **b, Buildings and operations.** Together, this school is spending over 35 percent of the district per pupil average on just administration and Operation. When the 12 percent Central Office costs are added on, the model yields data to show that 47 percent of the District per pupil costs are spent on Central Office LEVELS **A** thru **E,** plus school-site Administration and Operations (Levels **a+b**)

This "high" and "low" analysis, made possible by the breaking out of costs by school and function, is also useful in tracking funds to the classroom at Level **e, Instruction.** Table 6 also shows that schools vary enormously on this dimension, with Canyon Elementary School expending $ 6,799 per pupil, which is 164.19 percent of the District total average and 87 percent of what it receives. The Wellingford Junior High and Century High spent the most per pupil and by percent for Instruction, at 64 and 121 percent, when the average was 64.22 percent or $2,660 per student. The average was $2,660 per student or 64.22 percent reaching the classroom for Instruction.

When Student Support, Level **d,** and Level **e, Instruction,** are combined as shown in Table 6, **d/e,** Canyon again led the District in direct students services, a very different story than when average district and state data are used. Canyon Elementary Schools expended $6,848 per student for these two function, which was the "high" at 165.32 percent, compared the District "low" outlier on direct services to students, Johnson Elementary at 55.61 percent with $2,303. The average for the district is 69.09 percent or $2,861 per student. Falling below this mean are Johnstone Elementary School at 55.61 percent, Lesson Jr. High at 68.44 percent or $2,844 per student, and Carlson Senior high at 77 percent, above the district average of 69 percent but below the "high" level secondary and middle schools.

When taken all together, the resources reaching the individual schools vary greatly, as the bottom lines of Table 6 show. The "high" outliers spent 189 percent Elementary (Canyon Elementary School), 139.6 percent for Wellingford Junior High, and Century High School spent 190.56 percent above the district-wide total cost average at schools of 88.22 percent. The lows are West Elementary with a total of about 70 percent, Lesson Junior High was low at 85.85 percent, and Coalson Sr. High School spent 97 percent in the classroom for instruction--low compared to the Century High, for example, which spent 191 percent of the District-wide average of $4,141 per pupil in total.

The Cascade

*F*igure 4 shows another way to present the information. The top of the diagram presents the "norms," the average expenditures for the typical school.

The district spent $73.558,115 million in total in 1991-92 or $4,141 per student overall (see point I on the diagram, Figure 4). Of that amount, the Central Office costs came to $8.667 million (11.78%) or $488 per student (Point II) while the allocation to the School Sites was $64.891 million or 88.22 percent of the District's expenses OR $3,653 per pupil (Point III on the diagram). The Classroom Level **e** (Point IV) totaled $47.244 million or $2,660 per student, which was 64.23 percent of the total expenses. Hence, while over 88 percent reached the school, **24 percent** of the system's resources were used *in the schools* but *not in the classrooms* on Level **a** through Level **d** (difference between about 88.22 percent in the school and 64.22 percent at the classroom level).

Further, the "outlier" Elementary Schools are interesting to examine since the indicate the disadvantage of using only the *average* costs in studying allocations. Among Elementary schools, the Canyon Elementary School, for example, spent the most in the Classroom at Level **e** at $6,799 per student or about 164.19 percent of the total District-wide per pupil of $4,141. This amount at Level **e** was 100 percentage points above the average in the classroom of 64.22 percent, and 112 percent above the lowest spending school, Johnstone Elementary, at $2,165 per pupil or 52.29 percent at Level **e**. Thus, $4,634 per student separates the "outliers" among the Elementary schools in this School District, ($6,799 subtract $2,165 per pupil in 1991). Similarly, the two schools received a vastly different amount for all functions, **Levels a - e,** with the Canyon Elementary School spending $7,815 per student or 188.72 percent of the District-wide per pupil average, compared to only $2,880 per student coming to Johnstone Elementary School, which was 69.55 percent. Thus, $4,934 per student separates the highest and lowest school allocations in the district.

Figure 4

Allocation ANALYSIS: AVERAGE and HIGH/LOW Elementary SCHOOLS, 1991

I. • TOTAL Allocation: $73.558 million
Per Student: $4,141 (100% of system)

II. • Spent at Central Office: $8.667 million
Per Pupil: $488 (11.78 % of system) for A thru E

- A (Administration
- B (Building Support)
- C (Teacher Support)
- D (Pupil Support)
- E (Instructional Support)

……………………………………

III. Spent at TOTAL SCHOOL SITE(S): $64.891 million
Per Pupil: $3,653 (88.22 % of system)

- a (administration)
- b (building support)
- c (teacher support)
- d (pupil support)

••e (instruction)

IV. • Spent in the Average Classroom: $47.244 million
Per Pupil: $2,660 (64.22 %)

ELEMENTARY SCHOOL "OUTLIERS"

V. HIGHEST ALLOCATION:	V. LOWEST ALLOCATION:
• Canyon Elementary School)	• (Johnstone Elementary School)
School Level :	School Level:
$7,815 per student (188.72 % of system)	$2,880 per student (69.55 %)
a administration	a administration
b facilities	b facilities
c staff support	c staff support
d pupil support	d pupil support
VI. • e Classroom	VI. • e Classroom:
$6,799 per student, (164.19 % of system)	$2,165 per student, (52.29 % of system)

Among the Junior High Schools, **Wellingford Jr. High School** spent IN TOTAL the most at 139.60 percent of the average per pupil or $5,781 per student with

88.72 percent or $3,674 reaching the Classroom in Level **e**, while **Lesser Jr. High School** spent much less than Wellingford Jr. High at $3,555 or 85.85 percent of the total per pupil costs expended in the school, with about 62.26 percent reaching the classroom at Level **e**.

Figure 4: Continued
High/Low Schools Overall, Across Types:
Junior High School "Outliers"

V. HIGHEST ALLOCATION:	**V. LOWEST ALLOCATION:**
• **(Wellingford Junior High School)**	• **(Lesser Junior High School)**
School Level :	**School Level:**
$5,781 per student (**139.60 %** of system)	**$3,555** per student (**85.85 %**)
a administration	**a** administration
b facilities	**b** facilities
c staff support	**c** staff support
d pupil support	**d** pupil support
VI. • e Classroom :	**VI. • e Classroom:**
$3,674 per student, (**88.72 %** of system)	**$2,578** per student, (**62.26 %** of system)

Hence, Wellingford spent about 51 percent of its resources internally (139.60 % for **a to d**, subtract 51 % for Level **e**, **Instruction**, leaves 88.72 percent for **a--d**). While the average percent reaching the classroom was 64 percent, as shown in Point IV in Figure 5, the range went from about 164 percent at Canyon Elementary School, through 89 percent at Wellingford Junior High School, down to 52 percent at Johnstone Elementary School.

Eight-District Comparison of "OUTLIERS"

*T*able 7 shows Elementary School expenditures for AVERAGE, "Highest," and "Lowest" spending Elementary school in each of the eight sample districts. The data are presented in the following order: the Average cost per pupil for the whole district (column I), the per student dollars and percentages reaching the schools (column II), the per pupil and percentages reaching the Classroom, Level **e** (column III). Column IV shows the percent of the total per pupil costs for the "system" and column V is the percentage of the resources spent in that school. To preserve the anonymity of the districts and the "outlier schools), the name of the Elementary schools in each district are left out

TABLE 7

EIGHT DISTRICT DATA ON "High" and "Low" Elementary Schools, Classrooms and System Costs by Per Pupil and Percent of District and School Site Costs, 1991-92

Site		I Per Pupil Total	II Per Pupil to School		III Per Pupil to Classroom	IV % of System	V % of School Site
I	AV. TOTAL	$ 3024	$ 2686	88.8%	$ 1828	60.5%	68.1%
	School High		3125	103.3%	2223	73.5%	71.1%
	School Low		2121	70.1%	1452	48.0%	68.5%
II	AV. TOTAL	7693	6577	85.5%	4573	59.4%	69.5%
	School High		7193	93.5%	5097	66.3%	70.9%
	School Low		4662	60.6%	3562	46.3%	76.4%
III	AV. TOTAL	4913	3909	79.6%	2688	54.7%	68.8%
	School High		3926	79.9%	2818	57.4%	71.8%
	School Low		2670	54.4%	1964	40.0%	73.6%
IV	AV. TOTAL	5037	4580	90.9%	3048	60.5%	66.6%
	School High		4305	85.5%	3089	61.3%	71.8%
	School Low		3601	71.5%	2421	48.1%	67.2%
V	AV. TOTAL	3730	3512	94.2%	2354	63.1%	67.0%
	School High		3183	85.3%	2350	63.0%	73.8%
	School Low		2799	75.0%	1903	51.0%	68.0%
VI	AV. TOTAL	3839	3533	92.0%	2206	57.5%	62.4%
	School High		4653	121.2%	3009	78.4%	64.7%
	School Low		2598	67.7%	1491	38.8%	57.4%
VII	AV. TOTAL	4507	3960	87.9%	2786	61.8%	70.4%
	School High		5056	112.2%	3489	77.4%	69.0%
	School Low		3131	69.5%	2034	45.1%	65.0%
VIII	AV. TOTAL	4073	3606	88.5%	2490	61.1%	69.1%
	School High		5352	131.4%	3666	90.0%	68.5%
	School Low		2328	57.2%	1401	34.4%	60.2%

only the term School High and School Low are included.

For example, in District I, the total per pupil costs were $3,024 for all costs. Of that amount, some 88.8 percent or $2,686 per student, was allocated to schools (Levels **a thru e**) and 60.5 percent reached the Classroom, Level **e**. The Elementary School "outliers" in that district spent 103.3 percent at the highest and 70.1 percent at the lowest ($3,125 versus $2,121 per student). Of that amount, 73.5 percent reached the Instructional program in the 'highest' outlier and 48 percent in the lowest.

District VIII shows the widest spread between "high" and "low" outlier schools: with the average at 61.1 percent, the highest-expenditure Elementary School received 131.4 percent of the District per pupil average of $4,073 (see column I), put 90 percent into the classroom or $3,666 per pupil, while the "low" outlier expended only 34.4 percent after receiving only 57.2 percent at the school site (for **a thru e**).

Hence, while the national expenditures on "instruction" repeatedly average about 61 percent (see National Center for Educational Statistics, 1988; Odden, 1992), the SSAM model points up the great variation between even Elementary schools (not including the even wider differences between Senior High and Elementary schools) ***within the same district.*** While these data too show around 60 percent on average being spent in these eight sample districts (see Table 7, column IV, first line of each district's data), the distribution of the schools above and below the mean is often quite wide. District I has 60.5% Average, with a High of 73.5% and a low of 48%. District II averaged 59.4%, with the High at 66.3% and the Low 46.3%. District III, 54.7 percent average, 57.4% High and 40% Low. District IV had 60.5 percent with a High of only 61.3% and a low of 48.1 percent, and so forth.

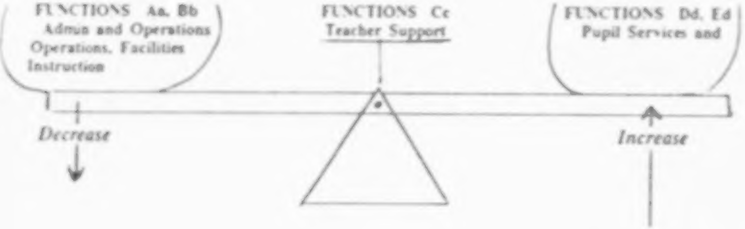
The value, then, of this Model is its ability to track resources to the instructional subsystem in each and every school. The variety and diversity is far greater ***within*** school districts than ***between*** them, meaning that averages as reported in most surveys and studies of school finance are obscuring the great differences in how schools spend their resources. Accuracy is greatly enhanced, as this study shows, by treating the school as the proper unit for micro-financial analysis and the Classroom Instructional level as the place where much "intentional learning" occurs. The next step is to test the ability of these data to produce usable "efficiency" and "productivity" measures, now that accurate school-site and classroom-level data are available and analyzed across a number of diverse school systems.

- - - from ACCURACY to SCHOOL SITE EFFICIENCY

Another use of the Model is to test the relationships between school efficiency and characteristics and qualities of these schools. Figure 5 presents a "see-saw" diagram which depicts a hypothetical balance between the "system's maintenance" functions (**Levels A+B+C+D+E, plus Levels a+b+c**) and the cost of the "student services" side of the fulcrum (**Levels d+e, Pupil Support + Instruction,** or **Level e, Instruction**).

Figure 5

Balance of Administration/Operations with Direct Services and Instructional Services for Students


FUNCTIONS Aa, Bb
Admin and Operations
Operations, Facilities
Instruction
FUNCTIONS Cc
Teacher Support
FUNCTIONS Dd, Ed
Pupil Services and
Decrease
Increase

Using this concept of a balanced between Pupil Services and Systems Services, we constructed two efficiency measures: First, the **Student INSTRUCTIONAL Ratio** (SIR) determines the ratio or relationship of per pupil costs in the classroom (Level **e**) to those devoted to administration and operations at Central Board and in each school. The formula for calculating instructional efficiency at each school, the **Student Instructional Ratio**, is the cost of direct classroom INSTRUCTION--Level **e**, divided by the combined costs of LEVELS **A,B,C,D, E + a, b**, or the ratio of classroom resources versus other support costs. Second, the Student SERVICES Ratio (SSR) indicates the ratio of per pupil support to actual resources spent on students both inside and outside the classroom. The formula for SSR (Student SERVICES Ratio) is the combined per pupil costs of Levels **d+e** at each schools, divided by the net per student cost of LEVELS **A,B,C,D,E + a,b** for each school.

To analyze the school qualities and characteristics which might relate to these efficiency levels, we cross-correlated the SIR and SSR with four school characteristics, the Independent Variables: School Size, District Location, SES, and School Type with Efficiency. See Table 8 for the correlation scores of the four independent variables and the SIR. We had might relate when a correlation among the four predictor some indication

Table 8
Cross–Correlation of Instructional Efficiency (SIR) and Four Key School Variables (Size, Type, Location, and SES)

Variable	DISTRICT	School TYPE	School SES	School SIZE	School SIR (effic)
DISTRICT		-.038	-.043	.009	.352
TYPE			.555	.355	-.090
SES				.571	-.342
SIZE					-.368
Efficiency (Instruction)					

that these variables variables (Size, Location, SES, and TYPE) and the Efficiency measures, SIR and SSR, produced rather strong relationships. We then performed regression analysis, in particular the Pierson Product Moment Correlation, to explore the relationship between these five variables together: Size, Type, Location, and Socio-Economic Status, with system and school Efficiency (both the SIR and SSR).

- **SCHOOL INSTRUCTIONAL EFFICIENCY (SIR):** The first analysis related school qualities to the resources reaching the classroom, SIR. Stepwise multiple regression analysis was used to estimate the impact of school **size** (the smaller the school, the less efficient), school **type** (elementary schools are systematically less efficient), **SES** (the poorer the school, the less efficient), and **District** (no clear explanation). The regression equation for SIR was the following: Classroom Efficiency by school: with y_1 = Student INSTRUCTIONAL Ratio (SIR) in a regression equation:

$$\text{SIR} = -.284\ \text{SIZE} + .350\ \text{DISTRICT} - .258\ \text{SES} + .168\ \text{SCHOOLTYPE} + (15.492\ \text{Constant}).$$

The regression analysis produced significant results, as shown in Table 9 for the SIR.

Table 9
Regression Analysis of School Characteristics and School Efficiency, Using Micro-Financial Data
Student Instructional Ratio (SIR)

Variable	B	SE B	Beta	T.	Sign. T
SIZE	-2.22309	3.92077	-.283521	-5.670	.0001
DISTRICT	.921597	.107995	.350180	8.537	.0001
SES	-.998088	.217351	-.257965	-4.592	.0001
Type of School	1.034780	.304155	.167690	3.402	.0007
(Constant)	13.295871	.858217	-----	15.492	.0001

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Chairman OWENS. You are not going to talk about what you discovered for New York City?

Mr. COOPER. The problem in New York was that first of all, the research was done in 1989; and so it has probably changed since then. We were able to track the dollars to the high schools. We didn't look at the elementary schools. We did not account for the money that did not reach the schools. I don't know whether it is going to buses or administration or building upkeep.

But we were able to discover that there is a range from about 30 percent to 45 percent reaching the child in the classroom—roughly $2 of other costs for every dollar in the classroom.

That has been confirmed by research in Chicago and Milwaukee since then. I don't think New York is unique in this. I think large city systems have resources that are not reaching the classroom or the child.

We have also done a lot of small urban, rural, and suburban districts. They, in general, get more money to the classroom on average; but we found schools in Montana and Oklahoma—where you would not expect large bureaucratic structures—that were only getting 30 to 40 percent.

Our unit of analysis was not the district, Mr. Chairman; it was merely the school and the classroom. So, we found more variations within districts. Some schools have 90 percent in the classroom, while others were as low as 30 to 35 percent. We spelled this out in the report that we made to the Lilly Endowment.

Chairman OWENS. Thank you.

Dr. Jean S. Adilifu.

Dr. ADILIFU. Thank you, Mr. Chairman. It is my pleasure to come before you and your committee members this morning to speak on the legislation that is being presented and to speak from a perspective that is grounded in school operations and in the field where the day-to-day struggle to educate our children and to have a very enlightened experience for our children and employees of public systems, goes on.

To the point that has been referred to earlier about the provision of services to our educational agencies that revolve around transportation, custodian services, and food services, I look to your proposed legislation and the identification of institutes that would support the Office of Research.

One of the institutes looks at innovation in governance and management of our schools with the purpose, of course, to improve schools and to make the research conducted on behalf of schools generate investigations from their findings.

In focusing on innovation in school operations and management, what we are attempting to do in our public schools in Newark, New Jersey—where I serve as assistant superintendent—is to have responsibility closer to the actual recipient of services.

This comes under many terms. Often it is referred to as school-based management. It is referred to as localized control. It is referred to as shared decisionmaking. But what we found, not only in our experience in Newark, New Jersey, but looking at the research across the country, is that where we have decisionmaking, accountability, and involvement close to the recipients—the actual clients who receives services—we have greater accountability; we have more productivity; and we have more of a sense of working together for the common good. That is our education enterprise.

Before we started with our current responsibility in Newark, New Jersey, which is the Central High School Cluster, a unit right in the middle of our school district of more than 80 schools where we had a high school that had many problems and elementary schools that needed to be strengthened in order to send children to the high school, we looked at an example: the Chicago public schools and the restructuring that was done there.

One of the actions taken was the reauthority of the house rules so that the custodians, the food service workers, and the transportation fell directly under the jurisdiction of the building principal. In that case, they were able to move where there was a difference in accountability and reporting lines and the service line, that is the client, moved to a closer allegiance, a more localized control in input and involvement.

What we do in the City of Newark, indeed, is similar to that. We have custodians who report to the principal. We have a central office which provides technical assistance and provides for the gaps because the schoolday for a principal is not the same as that for custodians. We find that having a principal as the person that we support to be most responsible for the total school management.

And, of course, we want quality school management. It is contributing to our effectiveness in managing schools in the areas of food service, transportation services, and custodial services.

As you and your committee consider what efforts to make here in a much larger school system—in the New York City enterprise—you may want to look at some of the literature and some of the accomplishments that have occurred throughout the country where we look at more accountability through a more localized control and accountability mechanism. We found that it is working for us. As we speak, our superintendent, because our school district is under a continued amount of scrutiny from our State Department of Education, is looking at ways to hold our principals more accountable for the total school operation.

Going back to the outline that you have presented for the legislation to reauthorize the Office of Research and Evaluation and dissemination of information, I want to refer to a couple of points that I believe you should be aware of.

John Dooley, who is often referred to as the father of education with his very cogent philosophy that has undergirded our operations for many years, says that education is not just preparation for life; but education is life itself.

And as you and your committee look at operations for education, we have to remember that outside of probably the McDonald's and some other profit-making activities in our country, the education enterprise is one of the largest enterprises in the United States.

But we see that the way that education can be successful and the way that food services, custodial services, and transportation services affect children is that there is a common understanding that education is an experience, a day-to-day process, that the outcomes of course we embrace are for our children to graduate from high school, to graduate with skills.

But there is a day-to-day happening in the schools that revolves around the quality of a lunch, the safety in transport, and the cleanliness of our building that will not go to the next step of how children can read or deal with math. Until we deal with safety, the next issue, that is education for life, cannot be addressed.

What we see in the proposed legislation, going back to the structure of the institutes, are outlines that we feel will help us do a better job in our school districts. What I would like to stress to you is that it is very important that the research orientation that is undertaken by your office be grounded in what actually happens in schools; that is, the research projects do not simply feed people who make a living at conducting research, intellectualizing, or presenting postulates that will work.

But there must be a clear connection between the people that operate the schools and the schoolteachers, like myself when I began teaching in 1966; that I could look to your office with an assistant secretary which I think is laudable in that this would be better than the clout and position that will make the office work and to be as useful as possible.

There are a couple of points I would like to leave for your information and for the review and consideration of your committee members. It is important that with the focus on education, the research should be grounded in day-to-day operations in schools; that there is a close involvement of the people who work with the schools, particularly the teachers, who are the other parents of our children, who know the children best and know them in all of their profiles not only in how they engage in the business of learning but how they deal with interacting, violence, sexual harassment in the halls, the stresses they face from before they come to the school grounds, and how they deal with the way the food service worker and the custodian deal with them.

That information, in turn, will come back to the schools and help us as we continue to make the process of education good and deliver the qualitative outcomes that are very important.

Another factor, sir, that we would like for you to consider is the focus on children. In your model, the institute looks at children at risk. We often reserve that label for our children. And what it ends up being is a deficit review of children. They are at risk because they come from poor families and non-English language families; because they come from shelters that may be homeless shelters.

We would like to stress, too, that we should not only look at the child at risk but the environment as well because we have control to form the life, the neighborhoods, and the communities for our children.

There was recently a study generated from the Zero Population Growth out of Washington that looked at stress factors that contribute to children and how they come to school. They often come to school hoping for some safety that is not there in their neighborhoods or looking for breakfast or a free lunch that they didn't have at home.

We, as the people who run our cities and our communities, who build the laws for conduct and manage the life of our children, have to understand the importance of education legislation not only in terms of research but also in terms of health education because our children and their families often do not have access to quality preventive health care.

We have to look at the availability of housing for our children because the housing that is available often is not in condition; look for an environment that is conducive so that a child can come to school with a mindset that is stress free, that is lead free, that will allow the child to focus on the best instruction. That is our primary job.

We would like for you, sir, and your committee members to take a look at the factors that we have control over like the access to health care and access to a crime-free neighborhood so that they will run to schools not to be safe but to be educated as well.

Lastly, in your institutes you have a focus on early childhood and, of course, the issues of food, transportation, and cleanliness are in the fore and are very important.

In this legislation for early childhood and primary grade focus, we would like for you to consider that we look at the parents and their background and their ability to take what is an experience of children who are very young in school and reinforce that in their homes.

One of the things also that you mentioned was the transition of children after a high school experience into work and life.

In going back again to the quotation from John Dooley that education is not preparation for life, but life itself, you have to understand that with the coming trends, not only are our children at risk as they compose the next generation, but they are children of color who, by and large, will represent one-third of every child in our school population by the year 2000.

We have to look at the people who will be members of the educational systems. What will the teachers look like? Will one-third of the teachers be people of color, people who have not had access to the mainstream? The reports do not support that.

It still is important that when we take a look at the research, we validate it on what the genuine concerns are; that we look at the mega profile of children as children with a tremendous amount of strength. We have Vietnamese children come to the school without any English, but with the commitment of their family and the commitment and the competence of their teachers, they emerge as very strong children with a high school diploma.

I urge you to have the legislation approved and passed. We in the school systems look forward to being the beneficiaries of the research that will come from this legislation as it is approved.

Thank you.

Chairman OWENS. You have addressed your comments to considerations related to several of the institutes that we have included in the legislation. At this hearing, we are primarily focusing on the institute related to governance and management. But we would be interested in being in touch with you to have the committee staff discuss with you the other institutes that you have mentioned.

On the matter of management and governance, we have always made the assumption that the big city schools, cities like New York, Chicago, even cities the size of Newark, Philadelphia, et cetera, would have some disadvantages in terms of higher costs on the one hand; but on the other hand, they would have advantages because of the economies of scale. And when you are doing things on such a large scale, you should be able to bring the costs down.

I appreciate your comments on accountability. School-based management will get you greater accountability, and that is always desirable. But also we would like the lower costs that result from bargaining at central level.

What I think Mr. Scott was trying to get at before was who makes the labor contracts and the contracts with the teachers? Not the local school boards. In New York City, contracts for buses are done at the central level. I don't know if you do it on a school-by-school basis in Newark or not. But here it is done on the larger scale on the assumption that you get a better price.

Mr. Payne and Mr. Scott both say it is probably cheaper to send a kid to school by taxi. If the cost is up to $20 or $34 a day, why don't we give out vouchers and let the kids take a taxi? It is alarming because the whole idea was to bring the costs down. Even though we have high labor costs and unions and pay our drivers better salaries—I am all in favor of that—we still ought to be able to get a better job done than that.

I would like for Dr. Cooper to briefly address that.

Do your studies show that that is valid reasoning, or is it old fashioned and out-dated reasoning?

Dr. COOPER. It is interesting what we found. Large schools are more efficient than small schools. Large school districts are less efficient than small school districts.

So if there was some way of packaging large schools in smaller systems, it would be great. We have these gargantuan systems, a million children, and $7.5 billion budgets; and the schools run from quite small to quite large.

The trick is to get the systems down and the schools up, in general. Those are the findings we have. The problem begins with the fact that no one really knows where the money is going, frankly. If you ask any superintendent or chancellor in the United States how much money they are spending at one of their schools, they won't know. We will say, at West Side High, how much are you spending? They won't know because they don't account for the money that way. The accounting is done by the State. The auditors in New York City talk to the auditors in Albany. They don't talk to the parents or the teachers.

Chairman OWENS. You can't take the overall costs of the school-bus services and divide it by the number of students and get an overall cost?

Dr. COOPER. But do you know how much is being spent at each school? If you are going to have the school as the management unit, you have to know how much is being spent at each school. And you may find——

Chairman OWENS. I am talking about the accountability to the citizens as a whole. You have a right to look at the whole figure and divide by the number of children and say why are we spending $20 per day per child? Why not send the child to school in a taxi?

But better yet, we want to bring the cost down.

Dr. COOPER. Exactly. And once you save that money, get it transferred to the teacher in the classroom.

But does it get diverted to another area?

Chairman OWENS. Mr. Gill is dying to get into this.

Mr. GILL. This has been a competitive bid. It was bid in 1986 under the same set of circumstances. There was a sense that if there was a competitive bid for a large number of buses, there would be a lower price.

That didn't——

Chairman OWENS. You said half of them were bid in 1986.

Mr. GILL. Half of the regular education fleet was bid in 1986, and it costs more.

Chairman OWENS. Why did you bid half?

Mr. GILL. I wasn't there.

Chairman OWENS. If you bid half, you are going to have a higher cost. It seems to me that the more——

Mr. GILL. No. The smaller the bid, the more likely you are to get a competitive bid. There are only so many vehicles and people competent to run the bus companies. Eventually, the highest priced contractors would get a portion of that work.

The most effective way is to bid in pieces of the work. Half of the education fleet was a substantial number of vehicles, in the neighborhood of 500 and change. But even at that time the cost to the New York City Board of Education increased.

I have a comparison here for the costs of 1979 versus 1993 on several areas which I would like to submit as part of my testimony.

But I think there is a conception among some of the people who have testified that the Board of Education does not want to competitively bid. That is not the case at all. The Board of Education wants to combine extension agreements with competitive bidding, that same carrot and stick, if I can come back to Mr. Stein's point and, I think, it was your question. If, in fact, the custodial services are contracted after a number of years and the principal and the children or the parents are thrilled with the custodial services and the building is spotless and the school has the option to extend that contract for 3 years at a cost less than the CPI or to take a chance on bidding it out and taking somebody else perhaps new to the system, what would that principal, what would those parents, what would those children opt for?

The possibility exists that they would opt for an extension agreement. But much more important than cleaning services is transporting youngsters. The children whom we transport are five, six, seven, eight-year old primary or handicapped children. You ask why are some of the costs very high, and why can't you take a cab? Because in some instances, we are transporting children—two escorts walk up three flights of stairs and carry that child and wheelchair into the classroom. That is an unusual example, but we provide that in some circumstances. We provide education to students who in other jurisdictions would not be entitled to go to school. Virtually every child who is entitled to an education in New York City gets it in a public facility.

Chairman OWENS. Mr. Gill, how long have you been in your present position?

Mr. GILL. Four years.

Chairman OWENS. Have you not negotiated a bus contract since you have been in there?

Mr. GILL. We would have bid a contract. We would like to bid a contract. We have a bid available. You see in your package a letter we have sent to prospective bidders. We have written to virtually every bus company in the United States. More than 1,000——

Chairman OWENS. You have included numerous—how about the Haitian bus drivers, the Caribbean bus drivers who are out there and weren't there in 1986?

Mr. GILL. In fact, the drivers and escorts who comprise the labor force in the New York City——

Chairman OWENS. They own these little vans.

Mr. GILL. Those vans would probably not pass muster.

Chairman OWENS. What is muster? Do they get copies of your standards?

Mr. GILL. Absolutely. Whoever is on the bidder's list receives a copy.

Chairman OWENS. How do you establish the bidder's list?

Mr. GILL. Everybody who has expressed interest in providing transportation to the children of New York City.

Chairman OWENS. If they were told what specifications they had to meet, they might meet them.

Mr. GILL. We also advertise. We include the minority publications as a part of our Minority and Women-owned Business Enterprises. And that bus bid——

Chairman OWENS. Do you agree with Dr. Ahola that the public interest is protected by less bids and more extensions? That is what he said.

Mr. GILL. I think Dr. Ahola has an oversight role of how pupil transportation is operating in New York City.

The reality is in New York City every child is transported safely. And we have 40,000 parents of special education youngsters and 100,000—we provide service not just to the public schools in New York but to all of the schools in the metropolitan area.

Chairman OWENS. I understand that. Are there any other services or goods that you would offer the same principle for—that the public interest is protected by less bids and more extensions?

Do you do that with anything else?

Mr. GILL. We follow the State education on every service. In food service, it is limited to several months. The contracts last several months.

Chairman OWENS. You have to bid it every several months? Why are they different?

Mr. GILL. For bus contracts, it is a safety factor. That is the State legislature, and that is the law. I didn't establish that law. We follow the law.

Chairman OWENS. For most other State services and goods there is a requirement——

Mr. GILL. For competitively bidding.

Chairman OWENS. Is that correct Dr. Ahola?

Dr. AHOLA. Yes. As a matter of fact, under the same section of law, contracts can be extended for transportation services and for cafeteria services, except the original contract period for cafeteria and restaurant service can be extended beyond 5 years. So there is a different standard for cafeteria.

Chairman OWENS. For all other State services and goods, do they require competitive bidding?

Dr. AHOLA. Correct. The provision of public service or contract service requires competitive bidding in general under General Municipal Law 103.

Chairman OWENS. So in all of those other cases, they are not protecting the public interest as well as they are in the bus contracts? You said that the public interest is protected by less bids and more extensions.

Why is it so in the case of buses when the rest of our society feels that after long years of practice and the free enterprise system and the open market, everything that we stand for says that creating a system of competitive factors and lower costs makes for better services and better quality of services? That is the principle.

You said that principle is not valid?

Dr. AHOLA. No. The education law provides for competitive bidding for transportation. And once the contract is competitively bid, it provides for an extension.

Chairman OWENS. An extension over decades means that there is no bidding.

Dr. AHOLA. But what you end up with is a public franchise.

Chairman OWENS. Why don't we make it a public franchise and turn the whole thing over to the New York Transportation Authority?

Someone stated that there is a limited number of buses out there. There is not. There is a surplus of buses that they are not using.

Dr. AHOLA. There is a requirement in the St. Germane amendment that would prohibit those federally-funded buses from being used for to and from school exclusively. The St. Germane amendment, basically protects——

Chairman OWENS. He is the guy who gave us the savings and loan debacle. I can't help but smile.

Dr. GILL. Let we answer that question. We support the concept of competitive bidding. We have a bid available. We also have notified bidders that we are preparing to bid.

What separates selling apples or delivering pencils and erasers is that providing transportation to handicapped children is a tremendous service that requires a long-term commitment from bus companies, drivers, and escorts. It is not something that should happen every year. The first concern is not to provide opportunities for small businesses. The first concern is to get those children to school safely.

We have driven, as I said in my testimony, in the past 3 years, one-half billion passenger miles, 60 million pickups, 60 million dropoffs. If it was your child, how would you want it done? You want to know more importantly than anything else when you bring your child to that bus stop that your child is going to be transported safely.

Chairman OWENS. I am impressed with your sincerity, but you have only been there 4 years. To what extent has coercion, threats, extortion, intimidation, figured into the establishment of the prices that you are living with?

Are you in a position to comment on that?

Mr. GILL. We have written to virtually every Federal, State, city, and Board of Education agency that has to do with law enforcement and asked them to take a very, very close look at bus contracts because the implication and the innuendo over the years is that it is influenced by organized crime.

We have asked all the district attorneys in New York City, the Department of Investigation; every current contractor has been fingerprinted. Every current contractor has a questionnaire that is reviewed by the Department of Investigation.

We continue to ask outsiders to take a look at this situation. Nobody has brought to our attention or to the Board of Education's attention that there is, in fact, organized crime operating in the system. I don't know whether it is or whether it isn't. We can only ask law enforcement agencies to look at it, and if there is, to take the most serious action possible. And I would ask that you as a congressman do the same.

Chairman OWENS. Would you let the record show that you have asked Federal agencies for help?

Mr. GILL. Yes, I have. I will submit that.

Chairman OWENS. Mr. Payne.

Mr. PAYNE. Yes. I think you have covered most of the questions.

First of all, I would like to thank Dr. Adilifu from Newark for her testimony. And, as the Chairman indicated, we hope to be in touch you with further on those points that you so ably brought out.

First of all, Dr. Ahola, you are saying that this new legislation will go from 3 years to 5 years.

Why is the legislation necessary anyway since they don't bid?

Dr. AHOLA. I can only surmise why that piece of legislation is under consideration, and I assume it is on behalf of a contractor or contractors who are looking maybe to procure capital equipment. And it certainly is much easier to provide long-term funding if you have a piece of paper showing that you have a contract covering that period. The initial contracts that are bid can be let for a period of 5 years, and that is another argument that can be put forward.

This is not a proposal. It is simply a piece of legislation that is before the Assembly and Senate in New York State. And, when we look at it, we see that you have got the cost justification and you have the protection of the CPI cap. We see no reason to oppose it. Competitive bidding is based upon the concept that the marketplace will control cost.

Mr. PAYNE. And that is an assumption; there are a lot of things that they say about assumptions which we wouldn't say at a congressional hearing.

But the assumption, first of all, from what I understand, is that contracts have been let since 1979 and not rebid. So that is why I was wondering where the three to five—like Mr. Cooper says, big is bad, small makes it more people out there.

But why would a person invest in capital equipment when they don't even go out for bid? I mean, I wouldn't go and purchase a tremendous amount of equipment, not knowing when the Board of Education might decide not to extend this 15-year contract that has been bumped up over years.

And, secondly, Mr. Gill keeps talking about safer and clean. It makes it seem that you can't get safe and clean transportation by going out and competitively bidding.

I worked at a place where I went to see the guy and said, don't you know how well I am doing? And he said, you know, if we didn't think you were doing that, you wouldn't be here in the first place.

So when you say that a bus company drops a child safely, that medals should be given, that is what is expected. And, listening to your testimony, you make it seem like it is a great exception to the rule.

Mr. GILL. I think it is an exception to pupil transportation throughout the United States, and I think it is an exception to transportation considerations that may have been given to kindergarten children.

Mr. PAYNE. And you have information that indicates that other school systems are unsafe and unclean, generally speaking?

Mr. GILL. I didn't say that. I said that the New York City system runs cleaner and safer vehicles that any other system in the United States. I will make that statement. We have not made comparisons.

Mr. PAYNE. Do you think it is in line?

Mr. GILL. Our regular transportation costs approximately $4 per child per day.

Special education is much more complicated. In many instances, the children are transmitted on vehicles that have hydraulic lifts.

Chairman OWENS. Are these facts that you are giving us? Four dollars per child is listed?

Mr. GILL. It is not in the testimony. I will provide that, sir.

Chairman OWENS. Will you give us the figures?

Mr. GILL. Yes, sir.

Mr. PAYNE. Being in government—I was a city councilman and a county commissioner and a State commissioner and a congressman—I have never been at any level of government where you just simply allow a contract to go on ad infinitum and where it is almost boastful. But this system, the service that is being provided, and the price people are being paid for it are applauded as something unusual and outstanding.

Mr. GILL. I think the committee is looking at school systems and school support systems. I don't think if you have these hearings around the United States you would have the virtues of public education in the United States extolled.

I am saying that the pupil transportation in New York City is outstanding. I am saying that, and I would be happy to have anyone come take a look at it. We welcome the controller's audit of pre-K transportation because we want them to use that as a comparison in New York City.

We solicited opinions from the parents of special education students, and the responses came back excellent. We conducted——

Chairman OWENS. Do you have results of that study? Can we have that?

Mr. GILL. Absolutely.

We also wrote to every superintendent, every principal of every special education school in New York City and told them of our thinking on the topic of extensions or bidding and asked how they thought we should best provide services. And the response uniformly—with the one exception of Noreen Connell, whose letter is in there—is do what you are doing. The service is excellent.

Mr. PAYNE. What did you expect from them?

Mr. GILL. Let me ask you this question. If you were to ask——

Mr. PAYNE. If the custodian runs the school, what do you expect the principal to say? It is great?

Mr. GILL. Poll the principals in New York City and ask them about the custodians. I don't think you will get the same rating.

Mr. PAYNE. How do you build the schools? The guy that built the last school gets to build the new one? It is that simple——

Mr. GILL. I didn't suggest that it is easy. I am not suggesting that it is easy.

Mr. PAYNE. If there hasn't been the letting of a contract in 14 years, it has to be an easier way out.

Mr. GILL. There was a competitive bid in 1986. And we are ready for a competitive bid. We have in your packet a letter to prospective vendors. We intend to competitively bid a portion of the transportation services in New York City.

Mr. PAYNE. We look forward to the information that you will be sending, and, as I indicated, I wonder what they do with books and other things. But that might be another story at a different time.

I yield back the balance of my time.

Chairman OWENS. Thank you Mr. Payne.

Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. Gill, we have had a number of different figures on the cost per child per day.

Mr. GILL. We will have it hand delivered to your offices tomorrow.

Mr. SCOTT. Because the $20 and the $34 for regular——

Mr. GILL. That was referring to pre-kindergarten transportation which is provided by the Department of Transportation. We were not responsible for those figures. We will provide you exactly the dollars that are involved and have them hand delivered to your respective offices tomorrow.

Mr. SCOTT. The $4 per child per day sounds very reasonable. The other numbers——

Mr. GILL. It is a totally different form of transportation. The regular transportation, essentially, is in your home district. And you are going to a school more than a half mile from your house but less than 5 miles from your house. It is, essentially, a district school.

Special education children in New York City, the parents are entitled to find the most appropriate education for their child. We have a substantial number of multiply handicapped children in New York City whose parents are very aggressive in finding the most appropriate education for them, and that does not mean that they will go to their local school or local borough school or even in New York City. The transportation that we provide will go to Newark.

Mr. SCOTT. You don't have to argue about the fact that educating handicapped children is expensive. And the numbers we expect to be different.

You indicated that you have transported to public school students without incident. What does without incident mean?

Mr. GILL. I don't want to say.

Mr. SCOTT. Does that mean without injury?

Mr. GILL. No, we transport 100,000 students to school in the morning. We provide 100,000 field trips in the day, and we provide transportation on the way home. There are schoolbus accidents, and there have been injuries, but our record, I believe, is a high level of safety for these children.

Mr. SCOTT. Well, without incident—well, on your minority business, when you have, I think you indicated, three for the——

Mr. GILL. For informal bid under the Board of Education. By law—State education law—I believe $15,000 becomes a formal bid where you offer it to the world.

Mr. SCOTT. And for the informal bid you put three people on the list, and the law requires——

Mr. GILL. You would keep circulating and reviewing the list, and you might call persons A, B and C.

Typically, what we have mandated in our offices and strongly urged community superintendents and other offices is that they add a fourth bidder from a proven list provided by New York State that they are minority, woman-owned business enterprises, and that fourth person also gets an opportunity. It increases the likelihood that they will be awarded an informal bid.

Mr. SCOTT. That is just an opportunity. They have to win the bid?

Mr. GILL. Correct. And the numbers have been increased to 22 percent of those informal contracts which have been won in the past year by women or minority-owned business enterprises.

Mr. SCOTT. Twenty-two percent. And so by increasing the poll to include minorities——

Mr. GILL. No, we assume minorities are included in the original list.

Mr. SCOTT. [continuing] to include more minorities, in fact, resulted in a better deal for the taxpayer because they actually went under the first three.

Mr. GILL. That is a good way to look at that.

Mr. PAYNE. That is minority and women.

Mr. GILL. That is correct. According to the State guideline.

Mr. PAYNE. Could you separate woman from minority?

Mr. GILL. I couldn't now.

Mr. PAYNE. Could you send that to us?

Mr. GILL. Okay. Not tomorrow, though.

Mr. PAYNE. What we found was that lumping women with minorities was done under the Reagan-Bush administration, and we are finding that a big portion tends to be women, white women, and minorities have become increasingly smaller. So I would be interested in that. We attempt to keep them separate on the other side of the river.

Mr. GILL. That is a New York State policy. We are just following the policy.

Mr. SCOTT. Switching subjects, when you have a school-based accountability—this is for Dr. Cooper—one other question arises if you have a school with an incompetent principal and you invest in him or her all of the power of the school system; essentially, you have a real problem. Without the directives and the minutia coming from on high, you don't know that you are getting a good product. How would you comment on that?

Dr. COOPER. That is an interesting problem. If the data system that you have reports costs and outcomes by school——

Mr. SCOTT. What do you mean by outcome?

Dr. COOPER. Test scores. We visited one school district, and we asked for the average SAT scores in the 11 schools? There was a blank look, and somewhere in the bottom desk drawer in the superintendent's office the college board had mailed the average SAT scores to the superintendent, but nobody had looked at it. So the question comes as to accountability.

But if you attend to those things and you know who is not producing, you can call the principal in and say, what is going on? We know how much you are spending. Either you aren't putting it into the classroom or you can call the principal to accountability.

If it is done centrally, you don't know where the resources are. You don't know what the outcomes are by school. So the trick is to make the school accountable, and then you can call the principal and call his or her performance into question. It is amazing that you don't.

In business, even IBM, the greatest corporation in the history of this country, is under tremendous pressure to begin to flatten out and make their individual units accountable. This is being done by selling off parts of the company and so on.

Further, the schools are going to have to follow or we simply are going to run out of money. I think that is going to be the problem.

Mr. SCOTT. Is there research on what product you get when you put the decisions—more decisions in the hands of the principal?

Mr. COOPER. I don't have that. What I have——

Dr. ADILIFU. Yes.

Mr. COOPER. Oh, good.

Dr. ADILIFU. There is research available. And at this point the outcomes are mixed. The most notable ones are for education, the Chicago Public School System, which was a humongous task, required changing the State law for the Chicago Public School System.

In Miami, Florida, the first results were made known after 3 years, and Chancellor Fernandez did not allow any investigations. And the satisfaction with work, the inclusion in the decisionmaking was up. The student outcomes, in terms of performance rating, were mixed.

In Toronto, Ontario, Canada, which has had school-based management, included fiscal management. So that would be a good place to go for some of the information that you would want in business procurement and transportation. They have put their emphasis on operations and management, less focus—not that it is not important—on student outcomes. This will provide information particular to your inquiry now, and they have realized cost efficiency and savings.

The specifics I don't have available to share with you today.

Mr. SCOTT. It works well until you get to the mixed outcomes. I think the outcomes, frankly, would be the primary focus and priority.

Dr. ADILIFU. There are two things on that, if I may. One of the things that we look at is outcomes. What are we really asking if we have a focus only for our children and public schools who are in urban areas, which are densely populated? Many of the communities are hypersegregated, and what do we mean when we say that the most important thing for that child is not the SAT score? We have to look at other things like ability to deal with frustration and dealing with violence and acting out.

I referred to James Comer earlier. He took 7 years before he got the test scores up, but he stabilized school communities to deal with student and family mindsets, fostering school acceptance. After 5 years the attendance went up and the dropout rate was reduced. Then he worked on pedagogy, instruction, pacing and test scores went up.

Today, after 12 years, this is happening in New Haven schools, and he is replicating this across the country.

What we have to be careful of, if we use a business procurement balance blank of red and black lists is human enterprise. We are talking about children in real families with a lot of hardships and teachers who by the year 2000 will have been retired. They are at the end of their professional careers. We will have new young people who will be more energetic.

But it does take a while. Once we get the children focused on learning, the sky is the limit, and we have seen it over and over. We have to caution ourselves to not look at one barometer when determining the effectiveness of an effort.

In Central High School in New Jersey, we dropped the dropout rate to 7.2 percent. But when you ask about our test scores, that is the next opportunity we have to tackle. We have the children in school. They are staying all day. Now we have the problem of how do we get them engaged in learning. How do we deal with pacing and getting them energized? That is the next issue.

I want to caution you that if we look at one barometer to measure the effectiveness, it will not be just serving a learning climate.

Mr. SCOTT. I agree that how you measure the outcome of education is an issue. However you measure it in Newark, the results show that you are doing a good job.

And the original question is, if you have a weak or ineffective principal, you could have quite a poor outcome however it is measured.

Dr. COOPER. I think it is dangerous to decentralize radically if you don't have good information coming out to the top because you don't know what is going on in those schools. It is a centralization of accountability and information coupled with the decentralization of the kinds of things that Jean is talking about.

Mr. SCOTT. Do you have investigation visits to make sure that they are doing what they are supposed to do?

Dr. ADILIFU. Yes. This is what is going on in our Newark schools. The Department is visiting us without notification to see if we are doing what we supposed to do, from cleanliness to attendance.

In Chicago, the Department evaluated separate principals from schools. That was part of the legislation as it was put forward for the operation of their humongous school-based management project. Principals were separated from their responsibility. I cannot say that they were no longer working for the Chicago public schools, but they did not continue.

There were only a very few out of 600 schools in Chicago where principals were separated from their schools.

In 10 years that I have served as assistant superintendent in Newark, our superintendent has separated one principal from a school. Whether it was making him an offer that he couldn't refuse—he did not have it severed through a contract. It is difficult to sever a contract, given the union membership of principals.

Mr. PAYNE. And also in New Jersey there is a legislation where schools are monitored. And we have two districts that were taken over, the Jersey City and the Patterson school district.

It is the idea of the accountability that we are looking at in the reauthorization of education, secondary level. And Newark is in a state three monitoring.

But in Jersey City, half of the principals were taken out of their positions by virtue of that State legislation. So you do have some more empowering. Now, whether their salaries and so forth were reduced or whether they were reassigned, they were indeed taken out as principals of those schools and transferred out.

So we have a very strong law in New Jersey that makes it mandatory for the State to take over if a school district is failing. It might be something that New York State might look into, too.

Chairman OWENS. You want to comment, Dr. Ahola?

Dr. AHOLA. New York State has a new compact for learning, and by February, 1994, every school district has to have a plan for shared decisionmaking at the school site. It is focused on outcomes, and there are components where the State quality review—school quality review—has oversights, and the State role in this process is, basically, setting standards, and school districts will make the decisions at the school level as to how those outcomes will be achieved.

Chairman OWENS. Thank you.

I want to thank all the witnesses. Our primary purpose is so that the reforms will have the money that they need by eliminating as much waste as possible. We would appreciate your submitting any additional recommendations or comments that you might have in the next 10 days, and if we have any questions for you we will be contacting you.

Again, thank you for appearing here today.

The next panel consists of Mr. John Fager, the Cochair of the Parents Coalition of New York, New York; Mr. Robert Hughes, the Deputy Director of Advocates for Children, Long Island City, New York; and Mr. Michael Strasser, who is the Assistant Commissioner for the Division of Surface Transit Operations for the Department of Transportation.

Mr. Robert Hughes? Not here? Deputy Director of Advocates for Children? Not here?

There was a request for additional persons to testify, but we are so constrained by time we cannot expand our list anymore, and we would like to reserve any additional volunteers for a future hearing.

STATEMENTS OF JOHN FAGER, COCHAIR, PARENTS COALITION, NEW YORK, NEW YORK; AND MICHAEL STRASSER, ASSISTANT COMMISSIONER, DIVISION OF SURFACE TRANSIT OPERATIONS, DEPARTMENT OF EDUCATION

Chairman OWENS. We will begin with Mr. John Fager, Cochair of Parent Coalition.

Mr. FAGER. Thank you. I want to thank Congressman Owens and Congressman Payne before he leaves and Congressman Scott for having this hearing.

It is unbelievable being a public school parent in New York——

Mr. SCOTT. We will read the transcript of your hearing, and we will get the benefit of your testimony.

Mr. FAGER. You feel like you are up against what can be described as a monstrous, unaccountable bureaucracy. If you, congressman, have had trouble getting information from the board and responsiveness from the board, can you imagine how the average parent is treated by this system?

The people who really suffer are primarily our children. Our children suffer in a number of ways. One way is that they get less services because of all the waste.

Dr. Cooper talked about one-third of the dollars actually get to the classroom and two thirds being wasted. That means our children are not getting what they are entitled to or what they need.

There is also the health risk involved. We heard about the safety of the bus system. I am not an expert on the bus system, but I am an expert on the other system, particularly the custodial system, and my children have been subjected to health risks because of the custodial system.

I have had a son and daughter in the system for 12 years. The way I got involved with the custodial system tells a lot about it. I am going to tell you two brief stories, and Andrew Stein has told you a lot about the specifics of the system. What I am going to talk about is why nothing ever changes, why we have scandals that go on decade after decade.

My first experience with the New York City School System was when I was a PA president on the upper west side of Manhattan. I brought my children to school one day, and Naomi Hill, the principal, came up to me and said, we have just been cited by the city Health Department. The cafeteria floor is so filthy that it violates the city health code, and the inspector said if it was a restaurant he would have shut it down.

So we started talking about what we are going to do about this. And I said, let's talk to the custodian and have his men scrub the floor more often. And she said, I have talked to him, and he said that he was not going to allow them to scrub the floor more than the once a week that is required by contract.

So here you have a thousand schoolchildren eating in a cafeteria that was built in the 1950s for 300 or 400 children, and every Thursday and every Friday of every week the floors were so filthy because they were not scrubbed until the end of week. And this custodian said to the principal that he was not going to allow his men to scrub the floor more than once, and he said "I don't give a goddamn about any health violation," and walked away.

This was a custodian who was making $50,000. He walked around in a suit and tie every day and did no work. He had a wife on the State payroll that made $25,000 that was his personal, do-nothing secretary. And he made an extra $5,000 into his budget for charging fees to the parent association that ran an after-school program for children. And he made an extra $5,650 in salary for the same after-school use of schools. He and his staff provided no additional services for that money.

That also meant that the services after school were more expensive to parents, which meant fewer kids could afford it and fewer services were provided.

Let me tell you one other story. The reason I know so much about it is because I have been struggling with it. I was the one who wrote Andrew Stein's reports in 1979 and 1988. I was on his staff for a period of time.

The Federal Government spends $22 million every summer, and in 2 weeks you will start paying $2 million for the summer to use the cafeterias in 200 schools for breakfast and lunch programs. The custodial staff will be there anyhow. Many of the kids will not be in the schools.

So here are the custodians with fewer responsibilities, fewer things to do, yet they turn around because of their contract. And they charge the Federal Government, through the Breakfast Lunch Nutritional Program, $2 million for the use of the public school cafeterias in 200 schools to feed breakfast to people. That is a disgrace. That is just part of the $40 million problem where they charge the government to use the facilities.

We should have literacy programs in the schools after school in the evenings. We have had one the greatest immigrant waves in our history. People desperately need literacy programs. They should be in the schools.

One of the obstacles is the custodial contract that requires fees to be charged regardless of whether there are any extra services or not. As I said, Andrew Stein told you a lot about the details of the contract. I will not repeat that. I will talk about why it is that nothing changes.

Why is the Board of Education a permanent scandal? If you think this is limited to the custodial situation and the transportation, you are sadly mistaken. Being a long-term New Yorker, I know that you know that the problem is much deeper than that.

Let me show you a few things. When I first started doing research, someone was kind enough to send me a report from June 3, 1942. It is called: A Study of the Custodial Service as Essential Reference to the Full Use of School Buildings. This was 50 years ago, problems in the custodial system.

Then Nick Pileggi, who is not in the witness protection program. He lives with Nora Ephron on the upper west side.

Chairman OWENS. I am sorry. We were told that.

Mr. FAGER. He sent me these articles, and it is three articles that you made reference to in 1978 and 1979, 14 years ago, documenting the very problems that you are looking into: the organized crime control of some of the contracts and costs that bear no relationship to the service being provided.

Then you see, bringing you up-to-date, this is the latest attack in the New York Times in December 26, 1990, talking about-the headline, "School Bus Pacts Go To Companies with Ties to Mob." Then you find, within 4 months of that, the same contracts being renewed.

They don't listen to congressmen. They don't listen to the front page of the New York Times. And, of course, they don't listen to parents.

And then last Saturday—I don't know if you were in town or in Washington, but there was a article in the New York Times, "School Board Seeks Refunds of Bus Fees," and it revealed that they have been overpaying the companies $20 million to $22 million for the last 6 or 7 years. It is like Casey Stengel said, "Doesn't anybody over there know how to play this game?" How do you overpay like that? That was just last Saturday in the paper. That is the bus permit scandal.

Then—as I said, I know the custodial scandal a lot better.

Last year I contacted "60 Minutes," and I sent them information on the custodial system. They interviewed me, and it was part of the piece that they aired last November. I sent information to Ed Stancik's office.

And at the same time I wrote an Op Ed piece in the New York Times called School Custodians' Dirty Tricks. It was published December 18. In that, I pointed out two things: For God's sakes, contract out the system there. In no way are you going to change a 50-year scandal, and there is no way you are going to do it within the Board of Education.

And this shows that Kirby Cogland, who is Director of Custodial Services, should be fired for a couple of reasons. He is a former executive board member of the custodian's union and is the classic fox in the chicken house.

The custodians got him that job, and I can tell you the details. It was the same Jim Regan who used to be the President of the Board of Education. And Regan was in bed with the union. This is not just incompetence. This is all deliberate.

Here is the letterhead from the union in 1978: International Union of Operating Engineers, Borough Chairman, J. Kirby Cogland. He has been running the custodial service for the last 12 years.

I have seen him—custodians have been caught stealing Board of Education money, get indicted, get convicted. They never miss a day much pay or suffer any penalty, and they figure out honest ways to steal money.

And that is the essence of the custodial system. It is not fraud. It is the honest ways you steal money in that system. When you don't do anything and half the time you are not there and you are making $58,000, that is stealing.

I have seen Kirby Cogland defend the purchase of Jeeps. Who in this room would defend spending $28,000 on a Jeep? And the Board of Education spends half the money. We spend a million dollars of taxpayer money on subsidizing the purchase of Jeeps for custodians. It is preposterous, ridiculous, and Kirby Cogland has defended it.

I ask for a few more minutes.

He has fired some good supervisors who accidentally got hired, and I can document that.

Why is it that Kirby Cogland stays in that position? Why is it when Stancik documents a system like no other, a system that is unconscionable, he couldn't even track whether the money was being stolen or not? He couldn't track whether people were working or not when they were being paid. The controls were so poor.

Anybody would take the person in charge of that system and hold them accountable. We are firing you, and we are holding you accountable. They would look at all the other reports and conclude there is no way to change the system. You have to contract it out.

What have we gotten from the Board of Education? We have a backing out of contracting out. Yes, it is true that 43 schools are contracted out—and I think they are going up to 100—but what they are doing is placing pressure on the negotiations. Why are they just doing it to pressure the negotiations? Why have they not adopted a policy that they are going to contract out the whole system as the custodian's retire?

I don't know why Joe Fernandez hasn't done this. He may be getting bad advice from Stan Littow and Amy Lyndon. They are firing a couple of guys that were caught on the jobs and a few little reforms, and everything else goes on.

Finally, this is what you found. What you found is what we find. You say that there is only lukewarm interest in reform. You are understating the problem. You say there is a pattern of complicity. You are absolutely right. You are saying there is a hostility to change. You are absolutely right.

This Board of Education is not interested in change. It is a classic large bureaucracy that will send up people like Mr. Gill who will tell you whatever they need to tell you to justify a system where many are paid $70,000 or $80,000 or $90,000 or $100,000 for jobs in it, and many people make contracts worth millions of dollars. And so the fix is there and very entrenched.

What is really at stake here is a lack of political will. The parents, like myself, and the schoolchildren are without a voice. We lack power. Therefore, the system goes on and on and on.

You are trying to do something, and I welcome that. But, just as you said, up in Albany, that the School Board was to contract out. As you have already seen, the board is backing out on contracting out. This is a microcosm of the whole Board of Education.

Tomorrow I am issuing a Parents Coalition report called: "The Rules Still Rule." Basically, what it does is extend on the testimony of the woman from Newark—whose name I do not remember. But the report is a 100-page report on the massive systemic failure of the New York City school system and how school-based management is a hopeful reform. There are no economies of scale in this system. There are only diseconomies of scale.

And the State—I can tell you who to talk to at the State. Skip Meno, who studied the system, is the person I urge your committee to contact him about the diseconomies of this system.

We need—just like IBM and General Motors, to bring responsibility and authority down to the school level. And I think we need to dismantle the school system. Why do we have a million children in the school system and why are we going to go from the biggest school system in the country to five of the biggest? It makes no sense.

I grew up in Garden City, Long Island. Two elementary schools and a junior high school and a high school. The community felt a sense of ownership in that school. The parents and the teachers and the community were pretty much together.

The average school district today in the country is a 2,200 student system. In New York, we have a million student system. It cannot be challenged. It needs to be changed. It can never work the way it is. And I will be releasing the report tomorrow.

Last statement. President Clinton said during the second presidential debate, we need to radically decentralize school systems. He was absolutely and completely right. That is the only solution in New York City and all urban systems. You will find the same pattern everywhere else, and that is where we need to go.

Chairman OWENS. Thank you. We will appreciate receiving a copy of your report.

Mr. Michael Strasser.

Mr. STRASSER. Good afternoon. I am Michael Strasser, and I am Assistant Commissioner for the Division of Surface Transit Operations in the New York City Department of Transportation.

The preschool transportation for handicapped students unit in my division at present contracts to provide transportation for approximately 13,000 children with disabilities attending schools throughout the five boroughs of New York City, including some schools in Westchester, Nassau and Suffolk County.

Prior to 1992, preschool transporters of children with disabilities contracted directly with the schools to which they provided transportation. The unit rate per child per day at which they were paid was negotiated with the school, subject to approval by the New York City Board of Education. The Board of Education paid tuition and transportation costs directly to the school, which in turn paid the transportation providers. These contracts expired in January, 1992.

In anticipation of administration of the program, the New York City Department of Transportation registered emergency contracts extending them into April, 1992, with the intention of competitively bidding out. At the conclusion of their emergency contracts, the transportation providers suspended service, in part we believe to protest the DOT's plan to competitively bid the work.

In order to restore service to these medically fragile students, an interim solution was worked out, and State legislation was enacted to allow renewal contracts without the necessity for the competitive bidding that would have otherwise been required.

Contracts were then let at the existing rates for the 103 transportation providers for a 3-year period. The rates ranged from $13 per child per day to $43 per child per day.

The DOT took over the renewal contracts on May 31, 1992. Since that date there have been 24 contracts competitively bidded or negotiated. These contracts were primarily for new schools or contracts that had been faulted upon or refused by existing contractors.

DOT bid these contracts using recommendations made in the State Comptroller's 1991 audit report on pupil transportation. These recommendations include public advertising for bidders and providing bidders ample time to respond to bid requests. In addition, DOT wrote directly to potential bidders asking for their experience and interest. The potential bidders list includes 251 companies.

For the 21 contracts that were bid, the weighted average rate was $22.82 per child per day. The weighted average rate for the rolled-over contracts is $34. The rates for our competitively bid contracts averaged 32 percent less than those not bid.

It is interesting to note that 10 of those contracts that we bid were awarded to existing contractors. Many of them bid prices that were substantially lower than their existing rate for essentially the same service.

As I stated earlier, legislation was drafted a year ago and created a 3-year interim period during which we could roll over existing contracts. The State legislature specifically requested that the New York City comptroller do an audit of this program and submit a report to the Governor, the Speaker of the Assembly and the President Pro Tem of the Senate on or before December 1, 1994.

We will be in a much better position after the Comptroller's report to answer whether the competitive bidding can provide this service at a savings to the taxpayer.

Thank you for asking us to testify about our program today. I will be happy to answer any questions that you may have.

[The prepared statement of Mr. Strasser follows:]

STATEMENT OF MICHAEL STRASSER, ASSISTANT COMMISSIONER, DIVISION OF SURFACE TRANSIT OPERATIONS, DEPARTMENT OF EDUCATION

Good morning. My name is Michael Strasser and I am the Assistant Commissioner for the Division of Surface Transit Operations in the Department of Transportation. The Preschool Transportation for Handicapped Students Unit presently contracts to provide transportation for approximately 13,000 children with disabilities attending schools throughout the five boroughs of New York City, including some schools in Westchester, Nassau and Suffolk counties.

Prior to January 1992, preschool transporters of children with disabilities contracted directly with the schools to which they provided transportation. The unit rate (per child/per day) at which they were paid was negotiated with the school, subject to approval by the New York City Board of Education. The Board of Education paid tuition and transportation costs directly to the school, which in turn, paid the transportation providers. These contracts expired in January, 1992. In anticipation of administration of the program, the Department of Transportation registered emergency contracts extending them until April, 1992 with the intention of competitively bidding them out. At the conclusion of their emergency contracts, the transportation providers suspended service, in part we believe, to protest DOT's plan to competitively bid the work. In order to restore service to these medically fragile students, an interim solution was worked out and legislation was enacted to allow renewal contracts without the necessity for the competitive bidding that would otherwise have been required. Contracts were then let at the existing rates for the 103 transportation providers for a 3-year period. The rates for these contracts range from $13 per child/per day to $43 per child/per day.

DOT took over the renewal contracts on May 21, 1992. Since that date, there have been 24 contracts that have been competitively bid or negotiated. These contracts were for new schools or for contracts that had been defaulted upon or refused by existing contractors. DOT bid these contracts using recommendations made in the State Comptroller's 1991 audit report on pupil transportation. These recommendations include public advertising for bidders and providing bidders ample time to respond to bid requests. In addition, DOT also wrote directly to potential bidders asking for their experience and interest in transporting children with disabilities. The potential bidders list includes 251 companies.

For the 24 contracts that were bid, the weighted average rate was $22.82 per child/per day. The weighted average rate for the rolled-over contracts is $33.58 per child/per day. The rates for our competitively bid contracts average 32 percent less than those not bid. It's interesting to note that 10 of those contracts we bid were awarded to existing contractors. Many of these contractors bid prices that were substantially lower than their existing rate for essentially the same service.

As we stated above, legislation was drafted a year ago and created a 3-year interim period during which we could rollover existing contracts. The State legislature specifically requested in the legislation that the NYC Comptroller conduct an audit of this program and submit a report to the Governor, the Speaker of the Assembly, and the President Pro Tem of the Senate on or before December 1, 1994.

We will be in a much better position after the Comptroller's report to answer whether competitive bidding can provide this service at a savings to the taxpayer.

Thank you for asking us to testify about our program today. We will be happy to answer any questions that you may have.

Chairman OWENS. Thank you both.

Mr. Fager, Mr. Gill spoke of the study that had been done where parents indicated that they are pleased with the transportation system. Are you familiar with that study at all?

Mr. FAGER. No, I am not familiar with that study. The central board and its relationships and communication with parents way out in the schools is never good. And I would like to see it. I am not familiar with it.

I can recount one incident where I saw the chancellor and Mr. Gill and a group of parents discussing a concern, and it took 8 months, and they still didn't get it solved.

They wanted to put a volunteer parent on the bus. Eight months with the chancellor literally sitting there and Mr. Gill going back and forth with this parent about what his objections were and all the things that had to be worked out. And I thought, my God, to get a parent volunteer on the bus. And 8 months later it still isn't revolved.

My wife is a special education teacher. She teaches at P.S. 187 where my children went to school. You hear problems, but they are anecdotal. I don't have an overview.

But you have stories of rude matrons and rude drivers, and you wonder also what they do all day. They drive in the morning. They drive in the evening. Sometimes there are field trips that are taken, and the buses are used. But, occasionally, you hear what else do they do during the down time during the day? And maybe you would have insight into that.

Chairman OWENS. What is the Parents Coalition?

Mr. FAGER. It is a citywide advocacy group. We are trying to build a citywide voice for parents. Until parents get power in each individual school and each school district and systemwide, the system will continue to make the deals that leave parents and students out. We are the advocates for our children, and parents have no voice, which means that the children have no voice.

Pulman Ginn who was a superintendent in District 27 and a long-time person in the system, wore a wire for the guild system that does investigations about corruption. He was interviewed in Newsday, and he talked about the system of deals. It is "my turf, my program, my job." It is "my this" and "my that." And everything is there with the people cutting deals, but no one is at the table speaking for the children. So we have the dysfunctional system that does not work for children.

Chairman OWENS. You mentioned Mr. Kirby J. Cogland, and you said he was formerly a member of the board of directors of the custodians.

Mr. FAGER. Right. The letterhead is here. I will be happy to give it to the committee.

And a former executive board member of 891. It has at least a half a century history of undermining public accountability. The kids be damned. They liked the system. And for a while, Jim Reigle was on their side, and he was able to place Cogland in this position. And he is there now. Day in and day out he is working to the advantage of the custodians.

In the past I am told, being a parent, that it is hard to look into these things, but I have looked into a lot of these things. I am told that he helped undermine a previous contracting-out experiment where the contractors were forced to abide by the custodial contract.

The whole point, of course, is to see if it can be done differently, better and cheaper. If the Board of Education has found that it is cheaper, better services are provided, schools don't have to pay fees to use the schools and the principals are really in charge, what is the argument for not doing that systemwide? It is preposterous.

And why is Del Toro backing off?

We don't have the political will. The people who want to keep the things the way they are, they have the power. The students suffer, the parents suffer, and this city suffers. There is a million kids in the school system today. Two hundred and fifty thousand of them will eventually drop out. And 250,000 of them will graduate with diplomas that are worthless. So we are going to turn a half a million kids out on the streets of New York. What does that do to their lives and their family's lives? What does that do to the city?

We are killing the city, and we are spending $7.5 billion to do it. The money could be much better spent with much better results.

Chairman OWENS. Mr. Strasser, you mentioned that at one point providers suspended service and then you later contracted those same people or you contracted with different people?

Mr. STRASSER. There was a 4-month emergency extension contract and it extended to April 30 of 1992. We were working at that time with the providers, with the State legislature, with representatives of the schools to try to work out a solution as to whether we were going to bid out these contracts or roll them over in some way or another.

During the 3-week period a majority of the providers did not provide service. The State legislature acted on May 21——

Chairman OWENS. Was that a cute way of saying they went on strike?

Mr. STRASSER. When companies go on strike—do you call it a strike? It wasn't a labor action in the usual sense.

Mr. FAGER. That is what they do. Here are pictures of what happened. They drive buses over the Brooklyn Bridge and ring city hall. They hold up the system and put enormous pressure on the public officials to cave in. Here it is, pictures of disabled kids not being able to get to school.

These bus companies are shrewd, and they will pull that action when they think it is strategically important to do it. And then public officials are caught between a rock and a hard place. Do we say no and allow the strike to continue or do we cave in? That is how shrewd some of the bus companies are.

Chairman OWENS. How did you get involved in the first place, Mr. Strasser?

Mr. STRASSER. I got a job at the Department of Transportation in January 6, 1992. DOT was already involved in this process. It happened at a different level.

Chairman OWENS. Is there any reason why the Department of Transportation cannot become more involved?

Mr. STRASSER. We have the contracts for these 13,500 children right now.

Chairman OWENS. That is only a small part of the total.

Mr. STRASSER. These are all the children with disabilities 0 to 5, the entire preschool program.

Chairman OWENS. Is it possible to take over all of the program? All of the youngsters that have to be transported by special buses in this city? Why can't the Department of Transportation handle the contract totally? You are better equipped. You are in the transportation business. The Board of Education is in the business of education.

Mr. STRASSER. It is my understanding that the New York State law requires the local school district to provide regular-aged transportation, and it requires that the preschool be done by municipalities.

Chairman OWENS. The law requires that? You don't know for certain whether that is the case.

Mr. GOPSTEIN. My name is Doron Gopstein. I am the First Assistant Corporation Counsel for the city. I think that is an accurate representation of the State law. The service of transportation for children——

Chairman OWENS. Can you move closer to the mike and identify yourself again, please?

Mr. GOPSTEIN. Doron Gopstein, and I am the First Assistant Corporation Counsel for New York City.

The New York State law provides transportation for five and under. That covers children with special education needs and those that do not. Five years old and over, that is provided by the local school district.

Chairman OWENS. The local school district cannot delegate the Department of Transportation to do that?

Mr. GOPSTEIN. Only the local school board has that function. The reason the New York City Department of Transportation is handling the pre-K is that State law provides that that is essentially a municipal function. It is a function that can be delegated to the Board of Education.

In the legislation that was enacted last year, there is a provision that allows that delegation, but it has not taken place; therefore, the city Department of Transportation is handling that the way other municipalities are handling this for the pre-K.

Chairman OWENS. So the Department of Transportation can delegate away the transportation of preschool kids, but can't anyone have any reverse delegation to delegate it to the Department of Transportation?

Mr. GOPSTEIN. I think the way the law is handled, I think that is correct. If it did happen, there would have to be a huge bureaucracy at the Department of Transportation. This is a relatively small number that we are talking about.

Chairman OWENS. There would be a law forbidding the transfer of service?

Mr. GOPSTEIN. I think the way the law is written now: It requires the school district to provide it if it provides any transportation at all.

Chairman OWENS. To provide by private vendors? They go to a public vendor like the Transit Authority and say, you know, we will contract with you to provide it?

Mr. GOPSTEIN. Well, there is, if I am correct—and I would want to be doubly sure before I give my own final answer—but I believe the way the New York State law reads, if New York City—the Board of Education chose not to have a schoolbus system at all in New York City, it could do that. It could give schoolbus passes.

As it is, the system includes schoolbuses and passes on the public transportation. And there are hundreds of thousands of children who receive schoolbus passes.

Chairman OWENS. That was my next observation, that the Transit Authority provides a tremendous amount of transportation to students to schools already via the passes. What would forbid them? Is there anything that prohibits them from being asked to take over the whole responsibility?

Mr. GOPSTEIN. I do not want to say definitely without looking at the language. I can only say that my impression is that throughout New York State that kind of service is provided by the local school board.

Chairman OWENS. The local school board would still be in charge of negotiating the contract. That is all it does now. It does not provide the school—no employee of a local school board is out there driving buses. They contract out. I am saying why can't they contract the public?

Mr. GOPSTEIN. Maybe they could. I don't think there is an explicit prohibition. Whether the Transportation Department has the capacity or will——

Chairman OWENS. The policymakers can explore the possibility. There is no reason why we have to be wedded to a system which is charging fees at a level which is questionable if there is a possible public alternative.

We talk about contracting out public services to the private sector in order to get more effective, efficient, reliable services. Why not look at the situation and contract back to the public services whose bus lines are shrinking? Why not take a look at the possibility of having the schoolbuses provided by the New York City Transit Authority?

I am trying to get to what are the prohibitions. If there are none, then we ought to look at it.

Mr. GOPSTEIN. Without thinking as a practical matter whether it is doable—obviously, laws are changed to achieve results. So if that was a solution out there waiting to be picked up—the legislature enacts laws in the schoolbus area all the time. They did in the last year or so.

But I have no knowledge whether the Transit Authority has the capacity or ability to provide this large school service. But I don't think the laws themselves should be the impediment to doing this.

Chairman OWENS. The point that Mr. Fager was making is that we have institutionalized corruption and waste. It is "our turf." Therefore, let us waste what we want to waste. Never mind the kids or the fact that the budgets are shrinking and the sizes of the classes are increasing. Supplies are declining. A number of other things happen. But you don't touch the schoolbus contract. They get their increase. Don't touch the custodians. They get their increase.

The whole point is that we are dealing with institutionalized, traditionalized turf being established on a budget that is really designed and made available for education. Education is one of the last considerations. It is the first function cut and the last consideration when you are talking about really taking steps to curtail the other wasteful, noninstructional costs. And that is what our whole point is today.

Mr. FAGER. One last thing.

You focused the attention on the custodial contract which is something that the Board of Education provides, and you are focusing on the bus contracts which is a function that they contract out.

It seems that the Board of Education can't do either right. They can't provide the service themselves or provide it appropriately by contracting out. It is an indication of how wrong and off things are at the Board of Education that it can't seem to contract out or provide services directly.

And even though I sit here and advocate that the custodial services be contracted out and I am hopeful that it is going to be better. God help us if it is done over at the Board of Education. There is no reason that the contracting out can't be done at the district level and maybe at the school level.

And, yes, we hear about corruption at the school boards, but a lot of the school boards are run well, and I think it would be a vast improvement over the central system.

Chairman OWENS. Thank you very much.

Our quest is to find ways to assist school boards in making these decisions. New York City is the largest in the country, but I assure you that the smaller ones have similar problems.

If you were listening to Dr. Cooper, he pointed out that there are some small systems where a greater portion of the budget goes to noninstructional costs than in the large city systems.

Lay people are called upon all over the country to handle complex business dealing with labor negotiations and negotiations for supplies and equipment. And nothing prepared them to deal with these decisions. There are institutionalized, systematic ways in which they are ripped off.

And the people that do that have their own system, and they communicate across the country with each other. The suppliers of equipment and suppliers, various real estate people, they know how to use school boards very well.

We hope that in pursuit of this legislation we will be able to give school board members some support and assistance in doing a better job in that area which very few people ever look at the day-to-day governance and management of the system. Your testimony has been very useful for this purpose, and if you have any further recommendations that you would like to forward to us in the next 10 days we would appreciate it. Thank you very much for appearing.

The hearing is now adjourned.

[Whereupon, at 1:02 p.m., the subcommittee was adjourned.]

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